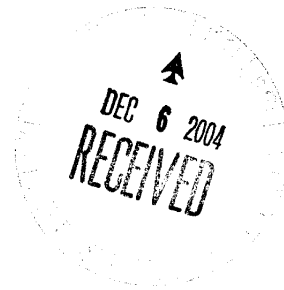




ASSOCIATION
OF AMERICAN
RAILROADS

Craig F. Rockey
Vice President - Policy & Economics



December 6, 2004

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board, Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

ENTERED
Office of Proceedings

DEC 6 2004

Part of
Public Record

212697

Dear Mr. Williams:

This submission is the AAR forecast of the first quarter 2005 All-Inclusive Index and Rail Cost Adjustment Factor, filed in Ex Parte No. 290 (Sub-No. 5) (2005-1), *Quarterly Rail Cost Adjustment Factor*. The versions of RCAF-related indices covered in this filing are: the All-Inclusive Index (initiated in the second quarter 1985), the Unadjusted RCAF (produced since October 1982), the Adjusted RCAF (first published in the second quarter of 1989), and the RCAF-5 (created by the STB in its Ex Parte No. 290 (Sub-No. 7) decision served October 3, 1996). The table below summarizes the first quarter 2005 results on the fourth quarter 2002 base, and shows the percentage changes from the previous quarter.

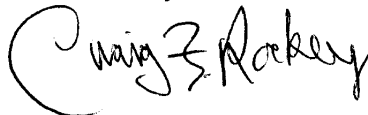
	<u>2004Q4</u>	<u>2005Q1</u>	<u>% Change</u>
All-Inclusive Index	107.5	109.7	2.0
Preliminary RCAF	1.075	1.097	2.0
Forecast Error Adjustment	0.022	0.010	
RCAF (Unadjusted)	1.097	1.107	0.9
Productivity Adjustment Factor	2.0163	2.0274	
RCAF (Adjusted)	0.544	0.546	0.4
PAF-5	2.1147	2.1263	
RCAF-5	0.519	0.521	0.4

Page 2
December 6, 2004

In its October 3, 1996 decision in Ex Parte No. 290 (Sub-No. 7), *Productivity Adjustment - Implementation*, the STB noted its intent to publish, in addition to the RCAF (Unadjusted) and RCAF (Adjusted), an RCAF-5 (i.e., a calculation of the productivity adjusted RCAF values as if the agency had always used a 5-year rolling average to calculate the productivity adjustment). In response to a request by STB staff, the AAR is including a calculation of the RCAF-5 in its quarterly RCAF filing. The AAR and its members, however, do not believe the publication of a third RCAF index is required or permitted by the applicable statute (49 U.S.C. § 10708) and do not endorse its publication.

Two copies of the quarterly non-proprietary workpapers underlying this submission are filed herewith, in accordance with the ICC's order in Ex Parte No. 290 (Sub-No. 2), *Railroad Cost Recovery Procedures*, served February 8, 1990. A third copy of the working papers has been delivered to Jeff Warren in the STB office handling this proceeding. All workpapers are available for STB inspection. Questions should be directed to me or Clyde Crimmel (202 639-2309) of this office.

Sincerely,



Craig F. Rockey

Attachments

**First Quarter 2005
All-Inclusive Index**

Ex Parte No. 290 (Sub-No. 5) (2005-1)

**Quarterly Rail Cost Adjustment Factor
Surface Transportation Board**

**Policy and Economics Department
Association of American Railroads**

December 6, 2004

Table of Contents

Subject	Page
Introduction	1
Index Weights	2
All-Inclusive Index - First Quarter 2005	3
Forecast vs. Actual All Inclusive Index - Third Quarter 2004	4
Productivity	5
Rail Cost Adjustment Factor - First Quarter 2005	6
Appendices	
A Labor	
B Fuel	
C Materials & Supplies	
D Equipment Rents	
E Depreciation	
F Interest	
G Other Expenses	
H Railroad and Union Abbreviations	

Introduction

On January 2, 1985, the Interstate Commerce Commission (ICC) [now the Surface Transportation Board (STB)] adopted the All-Inclusive Index of Railroad costs as the basis for the Rail Cost Adjustment Factor (RCAF). The quarterly projection of railroad costs, as documented herein, employs the All-Inclusive Index as required by the regulations. Also presented in this submission is the RCAF, both Adjusted and Unadjusted, as required by the ICC in its decision in Ex Parte No. 290 (Sub-No. 4), *Rail Cost Recovery Procedures - Productivity Adjustment*, served March 24, 1989. In addition, the AAR has included (but does not endorse) the RCAF-5, which was instituted by an STB decision served October 3, 1996 in Ex Parte No. 290 (Sub-No. 7), *Productivity Adjustment - Implementation*. This quarter's projection of railroad costs is for the first quarter of 2005.

Index Weights

In the Ex Parte No. 290 (Sub-No. 2) final rules, issued in April 1981, the Interstate Commerce Commission mandated that the weights of each major cost component be updated annually. These "external" weights are calculated using data from Schedules 410 and 210 of the R-1 annual report filed with the Surface Transportation Board by the Class I railroads. The weights are typically updated with the fourth quarter projection.

The previous (2002) weights were used for the fourth quarter of 2003 through the third quarter of 2004. Beginning with the fourth quarter of 2004, the 2003 weights are used. The biggest change in the weights was for Fuel, which increased by 1.6 percentage points, close to its weight based on 2001 data. The Other component increased again, this time by 0.7 percentage points. The remaining changes were decreases of less than one percentage point. The 2003 (current) and 2002 (previous) weights are shown below.

RCAF Weights		
	Previous 2002	Current 2003
Labor	38.0 %	37.5 %
Fuel	9.0	10.6
Materials & Supplies	4.6	4.4
Equipment Rents	10.3	9.4
Depreciation	10.9	10.7
Interest	3.7	3.2
Other	23.5	24.2

Reweightings of the index is accomplished by calculating both the current quarter (normally the fourth) and prior (normally the third) quarter indexes with the new weights. The relative change between the two quarters is then multiplied times the prior quarter (usually the third) *linked* index. Use of this method ensures that the weight change, by itself, does not cause a change in the level of the All-Inclusive Index.

Internal weights in the labor and equipment rents components are updated at the same time as the external weights. When these weights are changed, they are also linked using the procedure described above in order to eliminate the effect of the change in weighting.

All-Inclusive Index First Quarter 2005

The components and values of the current and previous All-Inclusive Indexes are shown below. Details of the construction of each component of the index are contained in the Appendices.

	2003 Weights	Forecast		Percent Change
		Previous 2004Q4	Current 2005Q1	
1. Labor	37.5%	286.8	290.3	1.2 %
2. Fuel	10.6%	148.3	171.5	15.6
3. M&S	4.4%	169.7	165.2	-2.7
4. Equipment Rents	9.4%	178.3	179.9	0.9
5. Depreciation	10.7%	162.4	161.3	-0.7
6. Interest	3.2%	90.2	90.2	0.0
7. Other	24.2%	173.3	176.3	1.7
8. Weighted Average				
a. 1980 = 100		209.7	214.0	
b. 1980 = 100 (linked)		206.5	210.7 ¹	
c. 4Q02 = 100		107.5	109.7 ²	2.0

¹ To calculate the 1980 = 100 Linked Index:

$$\begin{aligned} \text{Index}_{80} &= (\text{Current Index} / \text{Previous Index}) * \text{the Previous Quarter Linked Index} \\ &= 214.0 \quad \text{divided by} \quad 209.7 \quad \text{times} \quad 206.5 \\ &= 210.7 \end{aligned}$$

² To calculate the 4Q02 = 100 index:

$$\begin{aligned} \text{Index}_{4Q02} &= (\text{Current Linked Index} / 4Q02 \text{ Linking Factor}) * 100 \\ &= 210.7 \quad \text{divided by} \quad 192.1 \quad \text{times} \quad 100 \\ &= 109.7 \end{aligned}$$

4Q97 based index = 121.7

4Q92 based index = 134.3

4Q87 based index = 159.4

Forecast vs. Actual All-Inclusive Index Third Quarter 2004

As shown below, the third quarter actual index of 106.5 is 1.0 index points above the forecast value of 105.5. Therefore, the forecast error adjustment for the first quarter 2005 is 1.0 index points.

	2002	Third Quarter 2004		Amt
	Weights	Forecast	Actual	Difference
1. Labor	38.0%	281.9	281.9	
2. Fuel	9.0%	137.7	144.7	
3. M&S	4.6%	160.3	160.3	
4. Equipment Rents ¹	10.3%	177.0	177.2	
5. Depreciation	10.9%	159.6	160.3	
6. Interest	3.7%	98.0	98.0	
7. Other	23.5%	171.4	171.1	
8. Weighted Average				
a. 1980 = 100		206.4	207.1	
b. 1980 = 100 (linked)		202.6	204.5 ²	
c. 4Q02 = 100 ³		105.5	106.5	1.0

Forecast error → 1.0 index points

¹	2002	Third Quarter 2004	
	Weights	Forecast	Actual
Car-Hire	50.6%	171.7	171.8
Lease Rentals	49.4%	171.4	171.1
Weighted Average		171.6	171.5
Weighted Average (linked)		177.0	177.2

² Linked actual index = (actual index / previous actual index) x previous linked actual index.

$$204.5 = 207.1 / 203.9 \times 201.3$$

³ The 4Q02 based indexes are 1980 based indexes divided by the 4Q02 linking factor (192.1/100).
 4Q97 based indexes are the 1980 based indexes divided by the 4Q97 linking factor (173.2/100).
 4Q92 based indexes are the 1980 based indexes divided by the 4Q92 linking factor (156.9/100).

Productivity

On January 12, 2004, the Surface Transportation Board (STB) served a decision in Ex Parte 290 (Sub-No. 4) which added the year 2002 to the Productivity Adjustment Factor (PAF) and deleted the year 1997. This creates an average annual productivity for 1998 through 2002 of 2.2 percent – an increase from the 1997 through 2001 average of 1.9 percent. The components of this average annual value are shown on the following table. Productivity changes are calculated by dividing the output index by the input index. The average annual rate is calculated by multiplying each of the five productivity changes together and taking the result to the one fifth power. The quarterly productivity adjustment factors (PAF) are calculated by increasing the previous quarter's PAF by quarterly versions of the annual rate which are the fourth root of the average annual growth rate. The difference between the PAF and the PAF-5 is the timing of the 5-year productivity trend.

Comparison of Output, Input, & Productivity

1998 - 2002

Year	Output Index (1)	Input Index (2)	Productivity ¹ Changes (3)
1998	1.006	1.018	0.988
1999	1.032	1.008	1.024
2000	1.029	0.953	1.079
2001	0.971	0.955	1.016
2002	1.012	1.006	1.006
Average			1.022
Previous Average (1997-2001)			1.019

¹ The values shown in Column 3 are based on full float calculations and may not exactly match numbers calculated using the rounded numbers displayed in Columns 1 and 2.

Calculation of PAF and PAF-5

For 1998-2002 use fourth root of avg. productivity change 1.0055
For 1997-2001 use fourth root of previous avg. change 1.0047

Quarter	Year	PAF	PAF-5	
Q1	2004	1.9834	2.0852	1997-2001
Q2	2004	1.9943	2.0950	
Q3	2004	2.0053	2.1048	1998-2002
Q4	2004	2.0163	2.1147	
Q1	2005	2.0274	2.1263	

Rail Cost Adjustment Factor

First Quarter 2005

Four RCAF values are presented in this filing. Two of the indexes, the All-Inclusive Index and the Unadjusted RCAF, are not modified for productivity, while the Adjusted RCAF and the RCAF-5 incorporate a productivity calculation. The All-Inclusive Index and all four RCAF values, plus the percent change for each, are shown below.

	Previous 2004Q4	Current 2005Q1	Percent Change
All-Inclusive Index ¹	107.5	109.7	2.0
Preliminary RCAF ²	1.075	1.097	2.0
Forecast Error Adjustment ³	<u>0.022</u>	<u>0.010</u>	
RCAF (Unadjusted) ⁴	1.097	1.107	0.9
Productivity Adjustment Factor ⁵	2.0163	2.0274	
RCAF (Adjusted) ⁶	0.544	0.546	0.4
PAF-5 ⁷	2.1147	2.1263	
RCAF-5 ⁸	0.519	0.521	0.4

¹ See All-Inclusive Index on page 3.

² All-Inclusive Index divided by the All-Inclusive Index in the base period (100.0).

³ The current figure is from Forecast vs. Actual All-Inclusive Index in this filing (page 4). The previous quarter figure is shown in a similar section of the previous quarter's filing.

⁴ Preliminary RCAF plus the forecast error adjustment.

⁵ See Productivity on page 5.

⁶ RCAF (Unadjusted) divided by the Productivity Adjustment Factor (PAF).

⁷ See Productivity on page 5.

⁸ RCAF (Unadjusted) divided by the PAF-5.

Appendixes

Labor

First Quarter 2005

The first quarter 2005 Labor Index is forecast to increase 1.2 percent, caused mostly by wage increases and higher health & welfare costs. Table A-1 on page four of this appendix lists the hourly rates for wages and supplements used to calculate the Labor Index. Appendix H lists the abbreviations for railroads and unions used here.

Wage Index

The Wage Index is forecast to increase 1.8 percent. Significant factors in the increase include a new national agreement, a non-union wage increase, cost-of-living allowance increases for three national unions, and independent rate increases.

New National Contract: A new national agreement (effective November 5, 2004) with the International Brotherhood of Electrical Workers (IBEW) was added to the first quarter index. The agreement, which contains retroactive wage increases and employee health & welfare cost sharing, affects a group of railroads that includes 5 Class I railroads. Highlights of the new contract are listed below.

COLA: 27 cents of the cost-of-living allowance (COLA) is rolled into basic rates of pay effective October 1, 2001. COLAs terminate effective June 30, 2002. COLAs received after June 30, 2002 will be offset against retroactive wage payments. COLAs could resume beginning July 2005.

Wage Increases: Four retro-active wage increases: 2.5 percent effective June 30, 2002; 3.5 percent July 1, 2002; 3.0 percent effective July 1, 2003; and 3.25 percent on July 1, 2004.

Employee Cost Sharing: IBEW employees will participate in health & welfare cost sharing by making a pre-tax contribution toward health & welfare premiums. Effective July 1, 2001, 2002, and 2003, the monthly per employee health & welfare contribution will be \$33.39, \$81.18, and \$91.38, respectively. Effective July 1, 2004, the cost sharing rate changes to \$100 per month per employee. Retroactive employee health & welfare cost sharing will be offset against retroactive wage payments.

National Increases: In addition to the IBEW wage increases, three other sets of increases were also applied to the first quarter 2005 index. As done in previous years, non-union employees were given a wage increase similar to that of largest union. The 3 percent non-union wage increase matches the increase received by the UTU and UTU-Yardmasters on December 1. The first quarter index is also now receiving the full impact of the UTU and UTU-Yardmaster increase – it had only a one third impact for the fourth quarter 2004. Some unions are still receiving cost-of-living allowances from 1996 agreements. The IAM, NCFO, and SMW received 12 cent COLA increases.

Labor

First Quarter 2005

Independent Increases: For the first quarter of 2005, the Norfolk Southern Brotherhood of Locomotive Engineers received a 4 percent general wage increase. Many Soo Line unions are still receiving COLAs, and had the 12 cent COLA increase added. Three Soo Line unions (UTU, TCU, BRC) signed new agreements that included retroactive wage increases and health & welfare cost sharing. The non-union wage increase of 3 percent was also assigned to UP and IC's dispatchers, plus various employee groups from CN's Wisconsin Central, the Chicago, Central & Pacific, the Duluth, Winnipeg & Pacific, and the Sault Saint Marie Bridge Company.

Lump Sums: Most of the \$0.018 increase in the lump sum rate was caused by a signing bonus that was part of the new agreement between BNSF and its dispatchers. In addition, the new SOO agreement with the UTU had a Longevity Bonus.

Back Pay: The increase in the back pay rate was caused by back pay amounts that resulted from the new national agreement with the IBEW plus Soo Line's new agreements with the UTU, TCU, and TCU-Carmen. Some small amounts were generated by the new BNSF dispatchers agreement and two independent agreements that match the national IBEW cost sharing.

Other: This component contains the amortization of a profit sharing payment that the BNSF made to its dispatchers, yardmasters, and the former ATSF portion of its locomotive engineers. This component was unchanged from the prior quarter.

Supplements Index

The Supplements Index is forecast to increase 0.4 percent from the fourth quarter filing. Most of this increase was the net result of higher health & welfare costs offset by lower rates for all other fringe benefits.

Health & Welfare: The Health & Welfare hourly rate increased by a modest 2.3 percent from the fourth quarter level. The new 2005 monthly premiums (see pages 5 and 6 of this appendix) did not rise as much as they have in recent years, especially Group Health & Life. In addition, the new national IBEW agreement, and some new independent contracts, included employee health & welfare cost sharing that reduced some employer costs.

Railroad Retirement: The Railroad Retirement and Medicare hourly rate decreased despite a higher wage rate because of the lower Tier II tax rate for 2005.

Unemployment Insurance: Railroad unemployment insurance rates are experienced-rated by employer and will range from 2.15 (0.65 plus a 1.5 percent surcharge) to 12 percent on monthly employee compensation up to \$1,150. The weighted-average 2005 unemployment insurance rate for the Class I railroads is 2.28 percent, which is lower than 2004's 2.88 percent.

Labor

First Quarter 2005

Unemployment Insurance (continued): Because the 2005 weighted average rate is lower than the 2004 version, the hourly rate for Unemployment Insurance declined. (The 2005 rate of 2.28 percent is based on the Class I railroads in 2003 that were used in the recent rebenchmarking. If two railroads recently purchased by Canadian National Railway are included in the 2004 Class I data used for rebenchmarking in the September 2005 filing, the unemployment insurance rate will become 2.29 percent.)

Other: The "Other" category, a reflection of employer 401(k) matching contributions for two railroads, decreased by 0.7 cents per hour.

Labor Index Calculation

As shown in table A-1 on the next page, the 1.8 percent increase in the Wage Index and the 0.4 percent increase in the Supplements Index had a combined effect of a 1.2 percent increase in the Labor Index. The linked first quarter 2005 index is 290.3.

Labor

First Quarter 2005

Table A-1 Labor Index

	2004Q4	2005Q1	Change	
			Percent	Amount
<u>Base Wage</u> – Straight Time & Pay For Time Not Worked	\$28.801	\$29.231	1.5%	\$0.430
Adjustments:				
Lump Sum	0.221	0.239	8.1%	0.018
Back Pay	0.141	0.215	52.5%	0.074
Other	0.014	0.014	0.0%	0.000
Total Wages	<u>29.177</u>	<u>29.699</u>	1.8%	0.522
Health & Welfare Benefits	5.004	5.120	2.3%	0.116
RR Retirement & Medicare	6.151	6.129	-0.4%	-0.022
Unemployment Insurance	0.203	0.164	-19.2%	-0.039
Other	0.029	0.022	-24.1%	-0.007
Total Supplements	<u>\$11.387</u>	<u>\$11.435</u>	0.4%	0.048
Total Labor	\$40.564	\$41.134		
Wage Index¹	249.7	254.2	1.8%	
Supplements Index²	420.8	422.6	0.4%	
Total labor Index, 2003 Weights ³	299.8	303.5		
Labor Index (linked)⁴	286.8	290.3	1.2%	

¹ 1980 wage rate \$11.685

² 1980 supplements rate \$2.706

³ 2003 weights: wages, supplements 70.7% 29.3%

⁴ 2005Q1 linked Index = 2004Q4^{linked} x (2005Q1 / 2004Q4)
 = 286.8 x 303.5 / 299.8

Labor
First Quarter 2005

Supplement Comparisons

Health and Welfare Rates

Plan	Railroad Contribution Per Employee Per Month				
	2003	2004	2005	Change	
				'03-'04	'04-'05
Group Health & Life	\$875.93	\$935.45	\$948.19	6.8%	1.4%
Early Retirement Major Medical	65.73	70.93	90.57	7.9%	27.7%
Group Dental	52.20	52.20	47.20	0.0%	-9.6%
Group Vision	8.61	9.37	10.84	8.8%	15.7%
Supplemental Sickness					
Maintenance of Way	39.25	38.00	36.00	-3.2%	-5.3%
Shop Crafts	47.50	61.00	61.00	28.4%	0.0%
Signalmen	31.75	33.00	32.00	3.9%	-3.0%
Yardmasters	31.33	40.74	44.48	30.0%	9.2%

Railroad Retirement and Medicare

	Earnings Base			Employer Rate		
	2003	2004	2005	2003	2004	2005
Tier I	\$87,000	\$87,900	\$90,000	6.20%	6.20%	6.20%
Tier II	64,500	65,100	66,900	14.20%	13.10%	12.60%
Medicare	no limit	no limit	no limit	1.45%	1.45%	1.45%

Unemployment Insurance

Monthly Taxable Earnings Base			Weighted Avg. Class I Rate		
2003	2004	2005	2003	2004	2005
\$1,120	\$1,130	\$1,150	4.61%	2.88%	2.28%

Labor
First Quarter 2005

NATIONAL RAILWAY LABOR CONFERENCE
EMPLOYEE BENEFITS DEPARTMENT

1291 L STREET, N.W., WASHINGTON, D.C. 20036-3514 +---+ PHONE: (202) 862-7200 FAX: (202) 862-7253
JOSEPH EPSTEIN SUSAN E. PARKS, CERS
Director Employee Benefits Benefits Administrator
(202) 862-7344 (202) 862-7225
E-mail: jepstein@nrrc.org E-mail: sparks@nrrc.org

November 23, 2004

Mr. Clyde Crimmel
Director Statistical Information
Policy & Communications Department
AAR-5th Floor
50 F Street N.W.
Washington, D.C. 20009

Dear Mr. Crimmel:

The revised employer Payment Rates which are effective January 1, 2005 are as follows:

UNUMProvident - Supplemental Sickness Plans	
ShopCrafts	\$ 61.00
Signalmen	\$ 32.00
Maintenance of Way	\$ 36.00
Trustmark - Supplemental Sickness Plans	
Yardmasters	\$ 44.48
Railroad Employees National Health & Welfare Plan & National Railway Carriers/United Transportation Union H&W Plan	
Non-Hospital Road	\$948.19
Railroad Employees National Early Retirement Major Medical Benefit Plan	
Non-Hospital Road	\$ 90.57
Aetna - National Dental Plan	\$ 47.20
VSP - National Vision Plan	\$ 10.84

If you have any questions or need clarification, please contact me.

Very truly yours,



Susan E. Parks

cc: Glen Williams

Association of American Railroads

Fuel

First Quarter 2005

The forecast for fuel is based on: (1) a survey of railroad fuel purchasing officers concerning current price and volume levels, (2) expectations of railroad purchasing officers based on discussions with their major suppliers, and (3) a consensus of petroleum industry experts and general business publications.

In general, world crude oil* prices have been high because of strong demand and concern about supply. Prices exceeded \$55 per barrel in October, although they were below \$50 for most of November. The Energy Information Administration's *This Week in Petroleum* noted that it expects oil prices to average between \$45 and \$50 during the winter. In early December, crude oil prices fell below \$45 because of warmer than expected weather in the U.S., rising inventories, and the recovery of Gulf of Mexico area refiners from the damage done by Hurricane Ivan. These factors caused many speculators, who had expected oil prices to continue rising toward \$60, to sell oil futures contracts and oil company stocks, which helped drive down oil prices.

Railroad fuel prices have risen for ten of the last twelve months. The fourth quarter (October) average price for locomotive diesel fuel was 71 percent higher than the October 2003 level. The railroads believe that their first quarter 2005 (January) fuel prices will be 9.6 percent *below* the prices they paid in October, and 15.6 percent *higher* than the fourth quarter forecast. (As can be discerned by comparing those two percentages, the fourth quarter forecast was much lower than the average price the railroads eventually paid.)

Forecast fuel index	171.5
Change from previous quarter forecast	15.6%
Change from previous quarter actual	-9.6%

* Diesel fuel used by locomotives is made from refined crude oil, and therefore has some price change correlation.

Materials & Supplies

First Quarter 2005

The Materials & Supplies Index decreased 2.7 percent from the fourth quarter of 2004 because of regional purchases of ballast. The carriers' average ballast prices reverted to prices similar to those of two quarters ago. Metal prices, which had been increasing significantly because of soaring scrap steel prices, increased by an average of only 0.5 percent.

2005Q1 Materials & Supplies Index = 165.2

2004Q4 Materials & Supplies Index = 169.7

Difference	-4.5 basis points
	or
	-2.7 %

Equipment Rents

First Quarter 2005

The equipment rents index consists of two components – car hire and lease rentals. The methodology used to create these two components and the final equipment rents index are explained below.

Car Hire

The car hire component is indexed using data from the Car Hire Accounting Rate Master (CHARM) file. Car hire rates for the forecast quarter are estimated based on data for the most recent month available. For the first quarter, December 1 of the previous year is used. For the second, third and fourth quarters; March 1, June 1, and September 1 are used, respectively. Using data retrieved from the latest CHARM file, an average rate per car is developed. Next, those average rates are grouped into car type categories to create an overall summary of car hire rates. The summary rates are then compared from quarter to quarter to determine the car hire index.

Lease Rentals

The lease rental portion of the equipment rents index uses the Producer Price Index for Industrial Commodities less Fuel and Related Products and Power (PPI-LF). The Commission adopted this surrogate in its decision served March 13, 1987. The AAR uses six years of historical data to derive its forecast for the PPI-LF. The forecast is used not only for lease rentals, but also for the "Other" component of the All-Inclusive Index. Appendix G discusses the forecast in more detail.

Equipment Rent Index Calculation

The table below calculates the Equipment Rent Index, which increased 0.9 percent. The slight increase in the Car Hire portion of the Index was caused entirely by higher rates for privately-owned cars. The PPI-LF proxy for Lease Rentals, which caused most of increase in Equipment Rents, was influenced by relatively significant increases in every month of 2004.

	2003 Weight	2004Q4	2005Q1	Percent Change
Car Hire	50.1%	172.5	172.7	0.1 %
Lease Rentals	49.9%	173.3	176.3	1.7
Weighted Average		172.9	174.5	0.9
Weighted Average (Linked)		178.3	179.9	0.9

Depreciation

First Quarter 2005

The Producer Price Index for Railroad Equipment (PPI-RE) is used to index depreciation expense. The PPI-RE is forecast using an ARIMA process on 6 years of monthly data (a sample size of 72) with the most recent available monthly data being the first month of the quarter prior to the forecast quarter. For a first quarter forecast, the most recent month of data available would be for October of the prior year. For a second quarter forecast, January would normally be the most recent monthly data available. April and July would be the most recent months available for third and fourth quarter forecasts, respectively. The output from the forecast model is shown on page 2 of this appendix for 1982=100. The figure forecast by the model reflects monthly PPI-RE figures that are up 5.6 percent from January.

Forecasted depreciation index (1982=100)	145.8
Forecasted depreciation index (1980=100)	161.3
Change from previous quarter forecast	-0.7%
Change from actual first month of previous quarter	0.1%
Change from same quarter of prior year (actual)	4.2%

Depreciation First Quarter 2005

PPI RAIL EQUIPMENT

Forecast Model for PPIRE
ARIMA(1,1,0) with log transform

Term	Coefficient	Std. Error	t-Statistic	Significance
a[1]	0.3690	0.1080	3.4161	0.9989

Within-Sample Statistics

Sample size 72	Number of parameters 1
Mean 4.916	Standard deviation 0.02064
R-square 0.9709	Adjusted R-square 0.9709
Durbin-Watson 2.128	Ljung-Box(18)=17.41 P=0.5048
Forecast error 0.003521	BIC 0.4916
MAPE 0.002392	RMSE 0.4825
MAD 0.329	

Actual Values for the Most Recent 6 Periods:

Date	Actual
2004-05	143.500
2004-06	143.700
2004-07	144.200
2004-08	145.400
2004-09	145.200
2004-10	145.600

Forecasted Values

Date	2.5 Lower	Forecast	97.5 Upper
2004-11	144.746	145.748	146.757
2004-12	144.107	145.803	147.518
2005-01	143.559	145.823	148.122
2005-02	143.089	145.830	148.623
2005-03	142.679	145.833	149.056
QTR AVG	143.109	145.829	148.600
2005-04	142.314	145.834	149.441
2005-05	141.983	145.834	149.790
2005-06	141.678	145.834	150.112

Interest

First Quarter 2005

The Interstate Commerce Commission, in its decision served February 28, 1989, revised the All-Inclusive Index methodology to include a specific interest component, which is to track changes in the average interest rate from year to year. The interest rate is essentially the embedded cost of debt, i.e., total interest expense divided by average total long term debt. The interest rate is calculated for the most recent year and used until the next year's figures are available. Typically in the fourth quarter filing, the interest rate is updated to the new level. The source for interest expense is Schedule 210, column b, from the R-1 annual report. The lines used from current R-1 annual reports are listed below. The source for average total debt is Schedule 200 from the R-1 annual report. The sums of data from columns b and c (ending and beginning balances) are combined and divided by 2 to compute an average balance. The line numbers are listed below.

Interest Expense (Schedule 210)

Line	
42	Total Fixed Charges
44	Contingent Interest
less	
22	Release of Premium on Funded Debt

Average Total Debt (Schedule 200)

Line	
30	Current Loans and Notes Payable
39	Equipment Obligations and Other Long Term Debt Due Within One Year
41	Funded Debt Unmatured - Non-Current
42	Equipment Obligations - Non-Current
43	Capitalized Lease Obligations - Non-Current
44	Debt in Default - Non-Current
45	Accounts Payable: Affiliated Companies - Non-Current
46	Unamortized Debt Premium - Non-Current

2003	Interest Rate	7.08%
1980	Interest Rate	7.85%
2005Q1	Interest Index	90.2
2004Q4	Interest Index	90.2
	Percent Change	0.0%

Other Expenses

First Quarter 2005

The Producer Price Index for Industrial Commodities less Fuel and Related Products and Power (PPI-LF) is used to index purchased services, casualties and insurance, loss and damage, taxes (other than income and payroll), general and administrative expenses, and lease rentals. These expenses, when grouped together, are usually called "Other" expenses.

Like the PPI-RE, the PPI-LF is forecast using an ARIMA process on 6 years of monthly data (a sample size of 72) with the most recent available monthly data being the first month of the quarter prior to the forecast quarter. For a first quarter forecast, the most recent month of data available would be for October of the prior year. For a second quarter forecast, January would normally be the most recent monthly data available. April and July would be the most recent months available for third and fourth quarter forecasts respectively. The output from the forecast model is shown on page 2 of this appendix for 1982=100. The figure forecast by the model reflects monthly PPI-LF figures that have jumped at an annual rate of 3.2 to 9.8 percent every month in 2004.

Forecasted Other Expense (1982=100)	157.3
Forecasted Other Expense (1980=100)	176.3
Change from previous quarter forecast	1.7%
Change from actual first month of previous quarter	1.8%
Change from same quarter of prior year (actual)	6.2%

Other Expenses

First Quarter 2005

The Producer Price Index for Industrial Commodities less Fuel and Related Products and Power (PPI-LF) is used to index purchased services, casualties and insurance, loss and damage, taxes (other than income and payroll), general and administrative expenses, and lease rentals. These expenses, when grouped together, are usually called "Other" expenses.

Like the PPI-RE, the PPI-LF is forecast using an ARIMA process on 6 years of monthly data (a sample size of 72) with the most recent available monthly data being the first month of the quarter prior to the forecast quarter. For a first quarter forecast, the most recent month of data available would be for October of the prior year. For a second quarter forecast, January would normally be the most recent monthly data available. April and July would be the most recent months available for third and fourth quarter forecasts respectively. The output from the forecast model is shown on page 2 of this appendix for 1982=100. The figure forecast by the model reflects monthly PPI-LF figures that have jumped at an annual rate of 3.2 to 9.8 percent every month in 2004.

Forecasted Other Expense (1982=100)	157.3
Forecasted Other Expense (1980=100)	176.3
Change from previous quarter forecast	1.7%
Change from actual first month of previous quarter	1.8%
Change from same quarter of prior year (actual)	6.2%

Railroad and Union Abbreviations

First Quarter 2005

Railroads

ATSF	The Atchison, Topeka & Santa Fe Railway (Merged with Burlington Northern to form BNSF.)
BNSF	The Burlington Northern and Santa Fe Railway
CC	Chicago, Central & Pacific (Part of CN's Grand Trunk Corp. Sometimes noted as CC&P.)
CN	Canadian National Railway (Commonly known as CN, owns Grand Trunk Corporation.)
CNGT	AAR's abbreviation for Grand Trunk Corporation (Most of CN's U.S. operations.)
CP	Canadian Pacific Railway (Also noted as CPR. Owns the U.S. Class I railroad Soo Line.)
CSX	CSX Transportation
DWP	Duluth, Winnipeg & Pacific Railway (Part of CN's Grand Trunk Corp.)
GTW	Grand Trunk Western Railroad (Part of CN's Grand Trunk Corp.)
IC	Illinois Central Railroad (Part of CN's Grand Trunk Corp.)
KCS	Kansas City Southern Railway
NS	Norfolk Southern Combined Railroad Subsidiaries (a.k.a. Norfolk Southern Railway or NS Rail)
SOO	Soo Line Railroad (Most of Canadian Pacific Railway's western U.S. operations.)
SSAM	Sault Saint Marie Bridge Company (Part of CN's Grand Trunk Corp.)
UP	Union Pacific Railroad
WC	Wisconsin Central and subsidiaries (Part of CN's Grand Trunk Corp.)

Major Unions Involved with Railroads

ATDA	American Train Dispatchers Association
BLE	Brotherhood of Locomotive Engineers and Trainmen (a.k.a. BLET)
BMWE	Brotherhood of Maintenance of Way Employees
BRC	(see TCU-Carmen)
BRS	Brotherhood of Railroad Signalmen
IAM	International Association of Machinists and Aerospace Workers
IBBM	International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers & Helpers
IBEW	International Brotherhood of Electrical Workers
IBFO	International Brotherhood of Firemen and Oilers (predecessor to NCFO)
NCFO	National Conference of Firemen and Oilers (labeled in AAR data bases as IBFO)
SMW	Sheet Metal Workers' International Association
TCU	Transportation Communication International Union
TCU-Carmen	Brotherhood of Railway Carmen Division of the Transportation Communications International Union
UTU	United Transportation Union
UTU-Yard	United Transportation Union Yardmaster Department (also noted as UTU-YMD)

212697

Workpapers Sent to STB for 2005 Q1 RCAF

December 6, 2004

DEC 6 2004
RECEIVED

1. Index Calculation Spreadsheet (index_calc.xls, 2 pages)
2. Taxable wages calculation
3. Summary (of ST and PFTNW Hourly Rates)
4. National Contracts spreadsheet, 2 sections (2 and 5 pages)
5. New IBEW Hourly Rate Calculation for national spreadsheet
6. National Increase Applicability and U.S. 2003 Benchmark spreadsheets
7. Contract page for UTU
8. NRLC memo for COLA increase
9. 4 pages from new IBEW contract
10. Contract page for UTU-Yardmasters
11. Non-union memo
12. Contract page for NS-BLE independent increase
13. 2 contract pages for SOO-UTU new contract
14. 3 contract pages for SOO-TCU new contract
15. 3 contract pages for SOO-BRC new contract
16. Wall Street Journal - 3 month Treasury Bill Rate
17. 2004/Q4 RCAF Lump Sum Amortization (3 pages)
18. New contract pages with lump sums: 1 from BNSF-ATDA, 1 from SOO-UTU
19. 2004/Q4 RCAF Back Pay Amortization (4 pages)
20. National back pay calculation for new IBEW contract
21. 6 pages from new IBEW contract relating to wages and cost sharing
22. 1 page memo from NRLC about IBEW cost sharing
23. Independent cost sharing contract pages for BNSF-ATDA, GTW-IBEW, DWP-IBEW
24. New SOO contracts pages for SOO TCU and BRC (8)
25. Health & Welfare 2004Q4 worksheet with 2 pages of rates info
26. 1 page from national BLE contract concerning short term disability
27. 6 pages from new contracts relating to health & welfare cost sharing
28. Railroad Retirement spreadsheet (2 pages) & 1-page RRB memo for 2004 rates
29. Unemployment Insurance worksheet, 2 pages from SAS run, 2 pages supporting data
30. 1 e-mail from AAR reminding railroads about fuel tax decrease
31. 5 pages of oil news
32. Summary of M&S
33. Car Hire Spreadsheet (2 pages) plus source data (2 pages)
34. 5 pages of PPI-RE for Depreciation including graph, input/output, and BLS data
35. 5 pages of PPI-LF for Other (and Lease Rentals) incl. graph, input/output, BLS data
36. Forecast Error calculation and workpapers (9 pages)

RCAF All-Inclusive Index's Labor Index Based on 2003 Benchmarks

03 Wts.	Straight Time PFTNW	3Q/04	3Q/04	% Chg	4Q/04	% Chg	1Q/05	% Chg	2Q/05	% Chg	3Q/05	% Chg
		Original	Rebenchd			fr. Orig						
		\$23.063	\$23.276	0.9%	\$23.322	1.1%	\$23.685	1.6%				
		\$5.669	\$5.458	-3.7%	\$5.479	-3.4%	\$5.546	1.2%				
	Total	\$28.732	\$28.734	0.0%	\$28.801	0.2%	\$29.231	1.5%	\$0.000	--	\$0.000	--
	Adjustments											
	Lump Sum	\$0.217	\$0.220		\$0.221		\$0.239					
	Back Pay	\$0.139	\$0.141		\$0.141		\$0.215					
	Other	\$0.014	\$0.014		\$0.014		\$0.014					
	Total Wages	\$29.102	\$29.109	0.0%	\$29.177	0.3%	\$29.699	1.8%	\$0.000	--	\$0.000	--
	Pre-Tax Reduction	(\$0.342)	(\$0.342)		(\$0.343)		(\$0.367)					
	Taxable Wages	\$28.760	\$28.767		\$28.834		\$29.332		\$0.000		\$0.000	
	H & W	\$4.590	\$5.005	9.0%	\$5.004	9.0%	\$5.120	2.3%				
	RR Ret & Medicare	\$6.143	\$6.141	0.0%	\$6.151	0.1%	\$6.129	-0.4%				
	Unemp. Insurance	\$0.207	\$0.203	-1.9%	\$0.203	-1.9%	\$0.164	-19.2%				
	Other	\$0.011	\$0.012	9.1%	\$0.029	163.6%	\$0.022	-24.1%				
	Total	\$10.951	\$11.361	3.7%	\$11.387	4.0%	\$11.435	0.4%	\$0.000	--	\$0.000	--
	Adjustments											
	Total Suppl.	\$10.951	\$11.361	3.7%	\$11.387	4.0%	\$11.435	0.4%	\$0.000	--	\$0.000	--
	Total Labor	\$40.053	\$40.470	1.0%	\$40.564	1.3%	\$41.134	1.4%	\$0.000	--	\$0.000	--
	Wage Rate Index	249.1	249.1	0.0%	249.7	0.2%	254.2	1.8%	0.0	--	0.0	--
	Suppl Index	404.7	419.8	3.7%	420.8	4.0%	422.6	0.4%	0.0	--	0.0	--
	Total Labor Index '02 Wts.	295.3										
	Total Labor Index '03 Wts.	294.7	299.1	1.5%	299.8	1.7%	303.5	1.2%	0.0	--	0.0	--
	Labor Index (Linked)	281.9			286.8	1.7%	290.3	1.2%	0.0	####	#DIV/0!	--

All Inclusive Index and RCAF

	03 Wts	3Q/04 02 Wts	3Q/04 03 Wts	% Chg	4Q/04	% Chg	1Q/05	% Chg	2Q/05	% Chg	3Q/05	% Chg
Labor	0.375	281.90	281.9	0.0%	286.8	1.7%	290.3	1.2%	0.0	#####	#DIV/0!	--
Fuel	0.106	137.70	137.7	0.0%	148.3	7.7%	171.5	15.6%	--	--	--	--
M&S	0.044	160.30	160.3	0.0%	169.7	5.9%	165.2	-2.7%	--	--	--	--
Equip. Rents	0.094	177.00	177.0	0.0%	178.3	0.7%	179.9	0.9%	0.0	#####	#DIV/0!	--
Depreciation	0.107	159.60	159.6	0.0%	162.4	1.8%	161.3	-0.7%	--	--	--	--
Interest	0.032	98.00	98.0	0.0%	90.2	-8.0%	90.2	0.0%	90.2	0.0%	90.2	0.0%
Other	0.242	171.40	171.4	0.0%	173.3	1.1%	176.3	1.7%	--	--	--	--
Weighted Avg. Linked	1.000	206.40 202.60	205.7	-0.3%	209.7 206.5	1.9% 1.9%	214.0 210.7	2.1% 2.0%	2.9 2.9	-98.6% -98.6%	#DIV/0! #DIV/0!	-- --
10/1/80 basis		197.30			201.1	1.9%	205.2	2.0%	2.8	-98.6%	#DIV/0!	--
10/1/82		167.60			170.8	1.9%	174.3	2.0%	2.4	-98.6%	#DIV/0!	--
4Q/87		153.30			156.2	1.9%	159.4	2.0%	2.2	-98.6%	#DIV/0!	--
4Q/92		129.10			131.6	1.9%	134.3	2.1%	1.8	-98.7%	#DIV/0!	--
4Q/97		117.00			119.2	1.9%	121.7	2.1%	1.7	-98.6%	#DIV/0!	--
4Q/02 basis		105.50			107.5	1.9%	109.7	2.0%	1.5	-98.6%	#DIV/0!	--
Car Hire	0.501	171.70	171.7	0.0%	172.5	0.5%	172.7	0.1%	--	--	--	--
Lease Rents	0.499	171.40	171.4	0.0%	173.3	1.1%	176.3	1.7%	0.0	--	0.0	--
Wghted Avg Eq Rents		171.60	171.6	0.0%	172.9	0.8%	174.5	0.9%	0.0	--	0.0	--
Linked Equipment Rents		177.00			178.3	0.7%	179.9	0.9%	0.0	#####	#DIV/0!	--
Preliminary RCAF		1.055			1.075	1.90%	1.097	2.0%	0.015	-98.6%	#DIV/0!	--
Forecast Error Adj. RCAF Unadjusted		0.016 1.071			0.022 1.097		0.010 1.107	0.9%	0.015	-98.6%	#DIV/0!	--
PAF		2.0053			2.0163	0.55%	2.0274	0.55%	#DIV/0!	--	#DIV/0!	--
RCAF Adjusted		0.534			0.544	1.87%	0.546	0.4%	--	--	--	--
PAF-5		2.1048			2.1147	0.47%	2.1263	0.55%	--	--	--	--
RCAF-5		0.509			0.519	1.96%	0.521	0.4%	#DIV/0!	--	#DIV/0!	--

RCAF Taxable Wages

(To Use for Railroad Retirement and Unemployment Insurance Payroll Tax Calculations)

In the RCAF calculation, Total Wages are the wages paid, while Taxable Wages are the wages on which to base payroll tax calculations. The difference is caused by pre-tax employee contributions to help pay Health & Welfare costs. This page calculates that wage rate difference.

Most of the new national agreements feature employee Health & Welfare cost sharing. Some of the independent agreements adopt the dollar amount contributed under the national agreement, and some have their own employee contribution rate such as the CN Management H&W Plan. This Cost Sharing is a pre-tax employee contribution to Health & Welfare insurance premiums paid by the employer. The employee contribution reduces employer Health & Welfare costs, while the Health & Welfare insurance premiums paid to the provider are unchanged. In the RCAF calculation, the reduction to the employer's Health & Welfare costs affect the Supplements portion of the Labor component of the index. The Taxable Wage Rate is used for Railroad Retirement and Unemployment Insurance calculations.

Reduction Calculation for 1Q/2005

U.S. ST Hours = 312,004,342
 Wage Statistics are for 2003.

Union Group	Employees	Mo. Rate	Annual \$
TCU (BNSF, CSX, GTW, KCS, NS, UP)	10,795	(\$91.42)	-\$11,842,546.80
TCU-BRC (BNSF, CSX, KCS, NS, UP)	9,973	(\$91.42)	-\$10,940,779.92
Indep.\$25 Group (various CN)	2,076	(\$25.00)	-\$622,800.00
BRS (BNSF, CSX, GTW, KCS, NS, SOO, UP)	5,890	(\$100.00)	-\$7,068,000.00
UTU (BNSF, CC, CSX, DWP, GTW, IC, KCS, NS, SOO, UP)	39,231	(\$100.00)	-\$47,077,200.00
UTU-YMD (BNSF, CSX, GTW, KCS, NS)	1,756	(\$100.00)	-\$2,107,200.00
BLE (BNSF, CSX, GTW, KCS, NS, UP)	24,571	(\$91.42)	-\$26,955,369.84
Indep. ATDA (CSX, NS, SOO)	1,006	(\$91.42)	-\$1,103,622.24
Indep. ATDA (BNSF)	695	(\$91.32)	-\$761,608.80
IBEW (BNSF, CSX, GTW, KCS, NS, UP)	4,701	(\$100.00)	-\$5,641,200.00
Indep. TCU & TCU-CAR (SOO)	230	(\$100.00)	-\$276,000.00
Total	100,924		-\$114,396,327.60

Reduction in Wage Rate Per ST Hour	-\$0.36664979
Deduct this amount from the Wage Rate	-\$0.367

Note: Numerous DW&P unions' cost sharing expired at the end of 2003.
 Total employees and monthly rates must match H&W sheet.

Hourly Rate for 2005 Q1

Straight Time and Time Paid For But Not Worked

2005Q1 Straight Time Hourly Rate (from national spreadsheet) **\$23.575**
 retro GWIs for IBEW, COLA for IAM, IBFO and SMW

Adjustments to 2003 base:

Adjustments added 2004 Q1

Independent ATDA (all ATDA now independent)	\$.03 COLA increase for BNSF, CSX, KCS, NS, & SOO	0.000
Non-union independent ¹	2.5% for various CNGT & UP's ATDA	0.007
CNGT/GTW - all unions except UTU & BLE	3 percent G.W.I., no IBBM or SMW employees	0.003
BNSF BLE & SOO BRS	COLA increase of \$0.03	0.001
UP Yardmasters & SOO except BMW, BRS, ATDA	COLA increase of \$0.03	0.000

Adjustments added 2004 Q2

BNSF BLE new contract added to index	Keep \$.48 of COLA, retro G.W.I.s Of 4% & 1.5%	0.036
--------------------------------------	--	-------

Adjustments added 2004 Q3

Independent ATDA	\$.09 COLA for BNSF & KCS, New contracts for CSX, NS, & SOO	0.009
Independent G.W.I. ²	3% for 9 IC unions & CSX YMD; new contract for SOO BRS	0.009
UP Yardmasters & SOO except BRS, ATDA	COLA increase of \$0.09 except BMW COL Wage Adj = \$0.13	0.001

Adjustments added 2004 Q4

No Adjustments

Adjustments added 2005 Q1

NS BLE	4% GWI	0.025
SOO mix ³	COLA for 5 unions, retro GWIs for 3 unions	0.010
Non-union independent	3% GWI	0.009

Adjusted STHR Total **\$23.685**

Pay For Time Not Worked

PFTNW (from national spread sheet)		\$5.520
Ratio Adj STHR to Nat STHR	23.685 / 23.575 =	1.00467

Adjusted Pay For Time Not Worked **\$5.546**

¹ UP's ATDA plus CNGT employee groups: 8 for CC&P, 4 for SSAM, 9 for WC, 1 for DWP, 2 for IC (ATDA & YDM).

² For IC: BMW, BRS, IAM, IBBM, IBEW, IBFO, SMW, TCU, TCU-Car.

³ COLA for IAM, IBBM, IBEW, IBFO and SMW; retro GWIs for TCU, TCU-CAR and UTU under the new 2004 contracts.

National Contracts U.S.

		Straight Time Hourly Rate												
	UTU	TCU	BLE	SMWIA	BRS	BMWE	TCU-CAR	IBFO	IAM	IBBM	IBEW	ATDA	YDMSTR	OTHER
Weight	0.25071	0.06313	0.18097	0.00584	0.03665	0.14121	0.06236	0.01241	0.03708	0.00594	0.02819	0.01372	0.01281	0.14896
2003 Avg.	19.066	21.110	21.319	19.448	21.941	19.062	19.962	16.232	19.560	19.209	19.870	29.694	25.854	36.608
12/31/03	19.290	21.406	21.384	19.532	22.255	19.289	20.243	16.314	19.644	19.436	19.955	29.796	26.008	36.608
1/1/04	19.290	21.406	21.400	19.561	22.255	19.289	20.243	16.343	19.672	19.436	19.983	29.796	26.008	37.524
4/1/04	19.290	21.406	21.990	19.561	22.255	19.289	20.243	16.343	19.672	19.436	19.983	29.796	26.008	37.524
7/1/04	19.290	22.040	22.287	19.649	22.939	19.409	20.845	16.429	19.757	19.962	20.069	29.796	26.008	37.524
10/1/04	19.472	22.040	22.287	19.649	22.939	19.409	20.845	16.429	19.757	19.962	20.069	29.796	26.116	37.524
1/1/05	19.835	22.040	22.287	19.767	22.939	19.409	20.845	16.543	19.871	19.962	21.868	29.796	26.333	38.649
4/1/05	19.835	22.040	22.287	19.767	22.939	19.409	20.845	16.543	19.871	19.962	21.868	29.796	26.333	38.649
7/1/05	19.835	22.040	22.287	19.767	22.939	19.409	20.845	16.543	19.871	19.962	21.868	29.796	26.333	38.649

Weighted Straight Time Hourly Rate															
UTU	TCU	BLE	SMWIA	BRS	BMWE	TCU-CAR	IBFO	IAM	IBBM	IBEW	ATDA	YDMSTR	OTHER	Total	
2003 Avg.	4.780	1.333	3.858	0.114	0.804	2.692	1.245	0.201	0.725	0.114	0.560	0.407	0.331	5.453	22.618
12/31/03	4.836	1.351	3.870	0.114	0.816	2.724	1.262	0.202	0.728	0.116	0.563	0.409	0.333	5.453	22.777
1/1/04	4.882	1.351	3.870	0.114	0.816	2.724	1.262	0.202	0.728	0.116	0.563	0.409	0.333	5.453	22.777
4/1/04	4.882	1.351	3.870	0.114	0.816	2.724	1.262	0.202	0.728	0.116	0.563	0.409	0.333	5.453	22.777
7/1/04	4.882	1.351	3.870	0.114	0.816	2.724	1.262	0.202	0.728	0.116	0.563	0.409	0.333	5.453	22.777
10/1/04	4.882	1.391	4.033	0.115	0.841	2.741	1.300	0.204	0.733	0.119	0.566	0.409	0.335	5.589	23.256
1/1/05	4.973	1.391	4.033	0.115	0.841	2.741	1.300	0.205	0.737	0.119	0.617	0.409	0.337	5.757	23.575
4/1/05	4.973	1.391	4.033	0.115	0.841	2.741	1.300	0.205	0.737	0.119	0.617	0.409	0.337	5.757	23.575
7/1/05	4.973	1.391	4.033	0.115	0.841	2.741	1.300	0.205	0.737	0.119	0.617	0.409	0.337	5.757	23.575

Note: The 2003 Average and 12/31/03 Straight Time Hourly Rates are the industry rates and include all Class I railroad employees. The rates for 1/1/04 through 7/1/05 are based on the industry year-end rate updated by national union wage increases using contract information. These national increases are diluted using "percent national" ratios to account for non-national union contracts. The impact of non-national or independent contract increases after 2003 are not shown on this page and are handled separately.

National Contracts U.S.

	Pay For Time Not Worked Hourly Rate													
	UTU	TCU	BLE	SMWIA	BRS	BMWE	TCU-CAR	IBFO	IAM	IBBM	IBEW	ATDA	YDMSTR	OTHER
Weight	0.25071	0.06313	0.18097	0.00584	0.03665	0.14121	0.06236	0.01241	0.03708	0.00594	0.02819	0.01372	0.01281	0.14896
2003 Avg.	8.398	5.167	7.247	4.036	4.941	3.580	3.771	2.892	4.140	2.931	3.927	4.230	6.805	1.051
12/31/03	8.497	5.239	7.268	4.054	5.012	3.623	3.824	2.906	4.158	2.965	3.943	4.245	6.846	1.051
1/1/04	8.497	5.239	7.274	4.060	5.012	3.623	3.824	2.911	4.164	2.965	3.949	4.245	6.846	1.078
4/1/04	8.497	5.239	7.474	4.060	5.012	3.623	3.824	2.911	4.164	2.965	3.949	4.245	6.846	1.078
7/1/04	8.497	5.394	7.576	4.078	5.166	3.645	3.938	2.927	4.182	3.046	3.966	4.245	6.846	1.078
10/1/04	8.577	5.394	7.576	4.078	5.166	3.645	3.938	2.927	4.182	3.046	3.966	4.245	6.874	1.078
1/1/05	8.737	5.394	7.576	4.103	5.166	3.645	3.938	2.947	4.206	3.046	4.321	4.245	6.932	1.110
4/1/05	8.737	5.394	7.576	4.103	5.166	3.645	3.938	2.947	4.206	3.046	4.321	4.245	6.932	1.110
7/1/05	8.737	5.394	7.576	4.103	5.166	3.645	3.938	2.947	4.206	3.046	4.321	4.245	6.932	1.110

	Pay For Time Not Worked Hourly Rate													Total	
	UTU	TCU	BLE	SMWIA	BRS	BMWE	TCU-CAR	IBFO	IAM	IBBM	IBEW	ATDA	YDMSTR		OTHER
2003 Avg.	2.106	0.326	1.311	0.024	0.181	0.506	0.235	0.036	0.154	0.017	0.111	0.058	0.087	0.157	5.308
12/31/03	2.130	0.331	1.315	0.024	0.184	0.512	0.238	0.036	0.154	0.018	0.111	0.058	0.088	0.157	5.355
1/1/04	2.130	0.331	1.315	0.024	0.184	0.512	0.238	0.036	0.154	0.018	0.111	0.058	0.088	0.157	5.355
4/1/04	2.130	0.331	1.315	0.024	0.184	0.512	0.238	0.036	0.154	0.018	0.111	0.058	0.088	0.157	5.355
7/1/04	2.130	0.331	1.371	0.024	0.189	0.515	0.246	0.036	0.155	0.018	0.112	0.058	0.088	0.161	5.463
10/1/04	2.150	0.341	1.371	0.024	0.189	0.515	0.246	0.036	0.155	0.018	0.112	0.058	0.088	0.161	5.463
1/1/05	2.191	0.341	1.371	0.024	0.189	0.515	0.246	0.037	0.156	0.018	0.122	0.058	0.089	0.165	5.520
4/1/05	2.191	0.341	1.371	0.024	0.189	0.515	0.246	0.037	0.156	0.018	0.122	0.058	0.089	0.165	5.520
7/1/05	2.191	0.341	1.371	0.024	0.189	0.515	0.246	0.037	0.156	0.018	0.122	0.058	0.089	0.165	5.520

U.S. National Contract

Page 1 of 5

UTU

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2003 Industry Avg.				19.06630	8.39848
12/31/03 Industry Rate				19.28987	8.49696
1/1/04			94.229%	19.28987	8.49696
4/1/04			94.229%	19.28987	8.49696
7/1/04			94.229%	19.28987	8.49696
10/1/04			94.229%	19.47164	8.57703
1/1/05	3.00%		94.229%	19.83517	8.73716
4/1/05			94.229%	19.83517	8.73716
7/1/05			94.229%	19.83517	8.73716

3% GWI postponed until 12/1/04. Impact on Q4 is one third of 3% increase.

TCU

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2003 Industry Avg.				21.10995	5.16670
12/31/03 Industry Rate				21.40593	5.23914
1/1/04			91.092%	21.40593	5.23914
4/1/04			91.092%	21.40593	5.23914
7/1/04	3.25%		91.092%	22.03965	5.39425
10/1/04			91.092%	22.03965	5.39425
1/1/05			91.092%	22.03965	5.39425
4/1/05			91.092%	22.03965	5.39425
7/1/05			91.092%	22.03965	5.39425

BLE

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2003 Industry Avg.				21.31943	7.24664
12/31/03 Industry Rate				21.38354	7.26843
1/1/04		0.03000	54.155%	21.39978	7.27395
4/1/04			54.155%	21.98972	7.47448
7/1/04	2.50%		54.155%	22.28743	7.57567
10/1/04			54.155%	22.28743	7.57567
1/1/05			54.155%	22.28743	7.57567
4/1/05			54.155%	22.28743	7.57567
7/1/05			54.155%	22.28743	7.57567

New contract removes COLAs after 6/30/02 and adds two G.W.I.

U.S. National Contract

Page 2 of 5

SMWIA

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2003 Industry Avg.				19.44777	4.03647
12/31/03 Industry Rate				19.53169	4.05389
1/1/04		0.03000	98.033%	19.56110	4.05999
4/1/04			98.033%	19.56110	4.05999
7/1/04		0.09000	98.033%	19.64933	4.07830
10/1/04			98.033%	19.64933	4.07830
1/1/05		0.12000	98.033%	19.76697	4.10272
4/1/05			98.033%	19.76697	4.10272
7/1/05			98.033%	19.76697	4.10272

BRS

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2003 Industry Avg.				21.94068	4.94097
12/31/03 Industry Rate				22.25466	5.01168
1/1/04			94.662%	22.25466	5.01168
4/1/04			94.662%	22.25466	5.01168
7/1/04	3.25%		94.662%	22.93933	5.16587
10/1/04			94.662%	22.93933	5.16587
1/1/05			94.662%	22.93933	5.16587
4/1/05			94.662%	22.93933	5.16587
7/1/05			94.662%	22.93933	5.16587

BMWE

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2003 Industry Avg.				19.06229	3.58013
12/31/03 Industry Rate				19.28875	3.62266
1/1/04			92.241%	19.28875	3.62266
4/1/04			92.241%	19.28875	3.62266
7/1/04		0.13000	92.241%	19.40866	3.64519
10/1/04			92.241%	19.40866	3.64519
1/1/05			92.241%	19.40866	3.64519
4/1/05			92.241%	19.40866	3.64519
7/1/05			92.241%	19.40866	3.64519

U.S. National Contract

Page 3 of 5

TCU-Carmen

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2003 Industry Avg.				19.96206	3.77077
12/31/03 Industry Rate				20.24305	3.82385
1/1/04			91.483%	20.24305	3.82385
4/1/04			91.483%	20.24305	3.82385
7/1/04	3.25%		91.483%	20.84492	3.93754
10/1/04			91.483%	20.84492	3.93754
1/1/05			91.483%	20.84492	3.93754
4/1/05			91.483%	20.84492	3.93754
7/1/05			91.483%	20.84492	3.93754

IBFO

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2003 Industry Avg.				16.23186	2.89150
12/31/03 Industry Rate				16.31430	2.90619
1/1/04		0.03000	95.276%	16.34289	2.91128
4/1/04			95.276%	16.34289	2.91128
7/1/04		0.09000	95.276%	16.42863	2.92656
10/1/04			95.276%	16.42863	2.92656
1/1/05		0.12000	95.276%	16.54297	2.94692
4/1/05			95.276%	16.54297	2.94692
7/1/05			95.276%	16.54297	2.94692

IAM

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2003 Industry Avg.				19.56009	4.14002
12/31/03 Industry Rate				19.64387	4.15776
1/1/04		0.03000	94.680%	19.67228	4.16377
4/1/04			94.680%	19.67228	4.16377
7/1/04		0.09000	94.680%	19.75749	4.18180
10/1/04			94.680%	19.75749	4.18180
1/1/05		0.12000	94.680%	19.87110	4.20585
4/1/05			94.680%	19.87110	4.20585
7/1/05			94.680%	19.87110	4.20585

U.S. National Contract

Page 4 of 5

IBBM

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2003 Industry Avg.				19.20915	2.93076
12/31/03 Industry Rate				19.43580	2.96534
1/1/04			90.219%	19.43580	2.96534
4/1/04			90.219%	19.43580	2.96534
7/1/04	3.00%		90.219%	19.96185	3.04560
10/1/04			90.219%	19.96185	3.04560
1/1/05			90.219%	19.96185	3.04560
4/1/05			90.219%	19.96185	3.04560
7/1/05			90.219%	19.96185	3.04560

IBEW

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2003 Industry Avg.				19.87025	3.92666
12/31/03 Industry Rate				19.95483	3.94337
1/1/04		0.03000	95.120%	19.98337	3.94901
4/1/04			95.120%	19.98337	3.94901
7/1/04		0.09000	95.120%	20.06897	3.96593
10/1/04			95.120%	20.06897	3.96593
1/1/05			95.120%	21.86760	4.32136
4/1/05			95.120%	21.86760	4.32136
7/1/05			95.120%	21.86760	4.32136

New national IBEW contract removes all COLAs except 27 cents, adds 2.5%, 3.5%, 3.0% and 3.25% GWI. See IBEWNewContract.xls.

ATDA

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2003 Industry Avg.				29.69420	4.23047
12/31/03 Industry Rate				29.79558	4.24492
1/1/04			0.000%	29.79558	4.24492
4/1/04			0.000%	29.79558	4.24492
7/1/04			0.000%	29.79558	4.24492
10/1/04			0.000%	29.79558	4.24492
1/1/05			0.000%	29.79558	4.24492
4/1/05			0.000%	29.79558	4.24492
7/1/05			0.000%	29.79558	4.24492

U.S. National Contract

Page 5 of 5

YDMSTRS

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2003 Industry Avg.				25.85377	6.80544
12/31/03 Industry Rate				26.00757	6.84593
1/1/04			41.687%	26.00757	6.84593
4/1/04			41.687%	26.00757	6.84593
7/1/04			41.687%	26.00757	6.84593
10/1/04			41.687%	26.11599	6.87446
1/1/05	3.00%		41.687%	26.33282	6.93154
4/1/05			41.687%	26.33282	6.93154
7/1/05			41.687%	26.33282	6.93154

3% GWI postponed until 12/1/04. Impact on Q4 is one third of 3% increase.

OTHER

	Percentage Increase	Cents Increase	Applicable	ST HR	PFTNW HR
2003 Industry Avg.				36.60848	1.05126
12/31/03 Industry Rate				36.60848	1.05126
1/1/04	2.50%		100.000%	37.52369	1.07755
4/1/04			100.000%	37.52369	1.07755
7/1/04			100.000%	37.52369	1.07755
10/1/04			100.000%	37.52369	1.07755
1/1/05	3.00%		100.000%	38.64940	1.10987
4/1/05			100.000%	38.64940	1.10987
7/1/05			100.000%	38.64940	1.10987

Check Sums

	Increase	Applicable	ST HR	PFTNW HR
2003 AVG			308.93627	63.11630
12/31/03			311.15791	
		1132.879%		
		ok matches	ok matches	ok matches
			ok matches	

Should match check sum on National Increase Applicability for U.S. Total page

All three should match check sums on U.S. Benchmark page.

IBEW Straight Time Hourly Rate

National Contract IBEW Includes BNSF, CSX, KCS, NS, & UP.

Employees Paid	4,678	from 2003 wage statistics (5 RR)
ST Hours Paid	8,367,523	from 2003 wage statistics (5 RR)
STHR 12/31/2002	\$19.63766	from YearEnd2003RCAF includes \$0.10 COLA added 1/1/02
STHR 12/31/2001	\$19.53766	includes 11 cent COLA added 7/1/01
10/1/01 Roll In	\$19.42766	2004 contract rolls in 27 cent COLA
COLA Increase 1/1/2002	\$0.10000	COLA from 1996 contract
Q1 STHR 1/1/2002	\$19.63766	\$19.53766 wage rate plus 10 cent COLA
Q2 STHR 4/1/2002	\$19.63766	unchanged
6/30/02 COLA ends	-\$0.21000	11 (7/1/01) and 10 (1/1/02) cent COLAs removed
STHR w/o COLAs	\$19.42766	4/1/02 rate less 2 COLAs
6/30/02 Gen. Wage Incr.	2.5%	new contract signed 11/5/04
6/30/02 STHR	\$19.91335	2.5% incr added
7/1/02 Gen. Wage Incr.	3.5%	new contract signed 11/5/04
Q3 7/1/02 STHR	\$20.61032	3.5% incr added
Q4 10/1/02 STHR	\$20.61032	unchanged
Q1 1/1/03 STHR	\$20.61032	unchanged
Q2 4/1/03 STHR	\$20.61032	unchanged
7/1/03 Gen. Wage Incr.	3.0%	new contract signed 11/5/04
Q3 7/1/03 STHR	\$21.22863	3% incr added
Q4 10/1/03 STHR	\$21.22863	unchanged
Q1 1/1/04 STHR	\$21.22863	unchanged
Q2 4/1/04 STHR	\$21.22863	unchanged
7/1/04 Gen. Wage Incr.	3.25%	new contract signed 11/5/04
Q3 7/1/04 STHR	\$21.91856	3.25% incr added
Q4 10/1/04 STHR	\$21.91856	unchanged
Q1 1/1/05 STHR	\$21.91856	unchanged

ST Hours

Nat'l IBEW ST Hrs Pd	8,367,523	from 2003 wage statistics
CCP IBEW ST Hrs Pd	15,639	from 2003 wage statistics
DWP IBEW ST Hrs Pd	3,472	from 2003 wage statistics
GTW IBEW ST Hrs Pd	41,509	from 2003 wage statistics
IC IBEW ST Hrs Pd	209,303	from 2003 wage statistics
SOO IBEW ST Hrs Pd	117,159	from 2003 wage statistics
SSAM IBEW ST Hrs Pd	3,612	from 2003 wage statistics
WC IBEW ST Hrs Pd	38,596	from 2003 wage statistics
Total	8,796,813	matches total for IBEW

ST Hourly Rate (YearEnd2003.xls)

Nat'l IBEW 1/1/05 STHR	\$21.91856	see above calculations
CCP IBEW 12/31/03 STHR	\$19.95377	copied from YearEnd2003RCAF, USCalcu2 tab
DWP IBEW 12/31/03 STHR	\$26.61089	copied from YearEnd2003RCAF, USCalcu2 tab
GTW IBEW 12/31/03 STHR	\$21.63372	copied from YearEnd2003RCAF, USCalcu2 tab
IC IBEW 12/31/03 STHR	\$21.41796	copied from YearEnd2003RCAF, USCalcu2 tab
SOO IBEW 12/31/03 STHR	\$19.39559	copied from YearEnd2003RCAF, USCalcu2 tab
SSAM IBEW 12/31/03 STHR	\$26.21955	copied from YearEnd2003RCAF, USCalcu2 tab
WC IBEW 12/31/03 STHR	\$20.95406	copied from YearEnd2003RCAF, USCalcu2 tab

ST Compensation

Nat'l IBEW 1/1/04 ST\$	\$183,404,051.46	calculated using ST Hourly Rate x ST hours
CCP IBEW 12/31/02 ST\$	\$312,057.00	calculated using ST Hourly Rate x ST hours
DWP IBEW 12/31/02 ST\$	\$92,393.00	calculated using ST Hourly Rate x ST hours
GTW IBEW 12/31/02 ST\$	\$897,994.00	calculated using ST Hourly Rate x ST hours
IC IBEW 12/31/02 ST\$	\$4,482,844.14	calculated using ST Hourly Rate x ST hours
SOO IBEW 12/31/02 ST\$	\$2,272,367.72	calculated using ST Hourly Rate x ST hours
SSAM IBEW 12/31/02 ST\$	\$94,705.00	calculated using ST Hourly Rate x ST hours
WC IBEW 12/31/02 ST\$	\$808,743.00	calculated using ST Hourly Rate x ST hours
Total	\$192,365,155.32	

Total ST HR 1/1/05 \$21.86760 Total ST\$ divided by Total ST Hours Paid

These are the figures that go into the NatWage spreadsheet beginning with 2005Q1. They include the new national contract wage rates for IBEW as of 2005Q1. Non-national agreements are at the 12/31/2003 level, and are updated independently elsewhere.

U.S. 2003 Benchmark

	From AAR 112-Class Wage Statistics & Survey				ST \$ Adjusted		2003 Average		12/31/2003		ST Hrs.	
	ST Hrs.	ST \$	PFTNW \$	Union Lump Sum	Lump Sums	to Exclude	Hourly Rates		ST HR	ST HR	2003	Weights
							ST wo LS	PFTNW				
UTU	78,223,638	1,495,333,203	656,959,636	3,898,221	1,491,434,982		19,066	8.398		19,290		0.25071
TCU	19,698,147	417,633,636	101,774,455	1,806,799	415,826,837		21,110	5.167		21,406		0.06313
BLE	56,462,240	1,234,345,006	409,161,610	30,602,338	1,203,742,668		21,319	7.247		21,384		0.18097
SMWIA	1,822,898	35,451,292	7,358,068	0	35,451,292		19,448	4.036		19,532		0.00584
BRS	11,434,395	251,082,652	56,497,054	204,270	250,878,382		21,941	4.941		22,255		0.03665
BMWE	44,059,377	839,971,714	157,738,470	98,944	839,872,770		19,062	3.580		19,289		0.14121
TCU-CAR	19,457,804	388,441,541	73,370,868	23,658	388,417,883		19,962	3.771		20,243		0.06236
IBFO	3,872,669	62,905,979	11,197,834	45,350	62,860,629		16,232	2.892		16,314		0.01241
IAM	11,569,803	226,351,489	47,899,261	45,118	226,306,371		19,560	4.140		19,644		0.03708
IBBM	1,854,179	35,744,181	5,434,160	126,977	35,617,204		19,209	2.931		19,436		0.00594
IBEW	8,796,813	174,872,886	34,542,073	78,032	174,794,854		19,870	3.927		19,955		0.02819
ATDA	4,279,206	129,008,982	18,103,073	1,941,384	127,067,598		29,694	4.230		29,796		0.01372
UTU-YMD	3,998,223	104,684,055	27,209,680	1,314,903	103,369,152		25,854	6.805		26,008		0.01281
OTHER	46,474,950	1,701,377,118	48,857,453	0	1,701,377,118		36,608	1.051		36,608		0.14896
AAR 112 Total	312,004,342	7,097,203,734	1,656,103,695	40,185,994	7,057,017,740		22,618	5.308				1.00000
Sum (for proofing)							308.93627	63.11630		311.15791		

Year-End Figures are calculated, based on 2003 statistics and union contracts, in YearEnd2003RCAF.xls and exhibited in document titled "Year-End 2003 ST Hourly Rates for U.S." The ST Hours Weights and the Hourly Rates are full float.

file: Natwage2003RCAF.xls

Association of American Railroads

8/19/2004

National Increase Applicability for U.S. Total

Union	Year 2003	Not Part of National Agreements														U.S. National Increase	ST Hours Pd	Percent National Contract
	U.S. Total	ST Hours Pd	Not Part of National Agreements															
			CSX (E)	GTW (E)	IC (E)	CCP (E)	DWP (E)	SSAM (E)	WC (E)	NS (E)	BNSF (W)	KCS (W)	SOO (W)	UP (W)				
UTU	78,223,638	--	614,409	1,654,865	170,763	81,108	14,329	770,260	--	--	--	--	1,208,492	--	--	73,709,412	94.229%	
TCU	19,698,147	--	378,992	604,899	32,720	26,010	0	228,320	--	--	--	--	483,674	--	--	17,943,532	91.092%	
BLE	56,482,240	--	457,914	977,957	110,203	71,329	15,242	717,614	8,866,054	13,677,073	--	--	991,708	--	--	30,577,146	54.155%	
SMW	1,822,898	--	0	31,025	0	0	0	0	0	0	--	--	4,828	--	--	1,787,045	98.033%	
BRS	11,434,395	--	112,899	209,134	29,621	10,505	1,168	134,880	--	--	--	--	112,108	--	--	10,824,080	94.662%	
BMWE	44,059,377	--	456,210	937,541	176,667	78,959	60,455	753,886	--	--	--	--	954,714	--	--	40,640,945	92.241%	
TCU-CAR	19,457,804	--	328,263	553,515	34,723	20,097	5,581	410,071	--	--	--	--	305,034	--	--	17,800,520	91.483%	
IBFO	3,872,669	--	39,212	72,860	1,822	0	0	0	0	--	--	--	69,038	--	--	3,689,737	95.276%	
IAM	11,569,803	--	49,353	256,549	18,491	11,478	0	104,581	--	--	--	--	175,034	--	--	10,954,317	94.680%	
IBBM	1,854,179	--	0	74,273	0	4,528	0	28,101	--	--	--	--	74,446	--	--	1,672,831	90.219%	
IBEW	8,796,813	--	41,509	209,303	15,639	3,472	3,612	38,596	--	--	--	--	117,159	--	--	8,367,523	95.120%	
ATDA	4,279,206	755,898	30,175	72,320	0	11,046	0	72,116	806,669	1,237,142	64,064	79,139	1,150,637	0	0.000%	41,687%	100.000%	
UTU-YMD	3,998,223	1,130,212	77,442	87,517	0	0	0	60,565	--	--	--	--	75,858	899,898	--	1,866,731	41.687%	
OTHER	46,474,950	--	--	--	--	--	--	--	--	--	--	--	--	--	--	46,474,950	100.000%	
U.S. TOTAL	312,004,342	1,886,110	2,586,378	5,741,758	590,649	318,532	100,387	3,318,990	9,672,723	14,914,215	64,064	4,651,232	2,050,535	--	--	286,108,769	1132.879%	
Sum (for proofing)																		

Statistics based on AAR's 2003 112-Class Wage Statistics and knowledge of contracts as of July 2004.
Percentages are full float.

National UTU

Document "A"

SUPPLEMENTAL AGREEMENT

THIS AGREEMENT, made this 6th day of November, 2003 by and between the participating carriers listed in Exhibit A, attached hereto and made a part hereof, and represented by the National Carriers' Conference Committee, and the employees (other than Yardmasters) of such carriers shown thereon and represented by the United Transportation Union, witnesseth:

IT IS HEREBY AGREED:

SECTION 1 - PURPOSE

This Agreement is made pursuant to Article IV - Health and Welfare of the parties' August 20, 2002 Agreement - Document "A" ("2002 National Agreement") and is intended to be a full and final disposition of the parties' respective pending bargaining notices concerning health and welfare issues. Its terms are incorporated into and will be a part of the 2002 National Agreement as provided herein.

SECTION 2 - AMENDED EFFECTIVE DATE

For the purpose of defraying health and welfare costs, Section 4 - Third General Wage Increase of the 2002 National Agreement is amended to provide that the effective date of such General Wage Increase shall be December 1, 2004 instead of July 1, 2004.

SECTION 3 - COST-OF-LIVING ALLOWANCE AMENDMENTS

Part B of Article III - Cost-Of-Living Payments of the 2002 National Agreement is amended to read as follows:

NATIONAL RAILWAY LABOR CONFERENCE

ECONOMIC RESEARCH DEPARTMENT

1901 L STREET, N.W., WASHINGTON, D.C. 20036-3514 ♦ ♦ PHONE: (202) 862-7200 FAX: (202) 862-7253

H. GLEN WILLIAMS Jr.
Director Economic Research
(202) 862-7232
gwilliams@rrnrlc.org

November 4, 2004

January 1, 2005 Cost-of-Living Allowance

Under 1996 National Agreements

BLE, UTU, UTU-Yardmasters, BMWE, BRS,

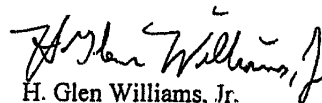
TCU-Clerks, TCU-Carmen, IBB, NCF&O, IBEW, IAM, SMWIA

CIRCULAR NO. 804-20 (BLE)
CIRCULAR NO. 805-37 (UTU)
CIRCULAR NO. 805-38 (YARDMASTERS)
CIRCULAR NO. 807-23 (CLERKS)
CIRCULAR NO. 809-21 (BRS)
CIRCULAR NO. 810-21 (CARMEN)
CIRCULAR NO. 811-16 (IBB)
CIRCULAR NO. 812-17 (NCF&O) ✓
CIRCULAR NO. 813-21 (IBEW)
CIRCULAR NO. 814-22 (IAM) ✓
CIRCULAR NO. 815-22 (SMWIA) ✓

TO MEMBER ROADS:

The 1996 National Agreements with the above-referenced organizations provide, in Article II, Part C, for a cost-of-living allowance to be payable on January 1, 2005. The COL adjustment will be twelve cents, calculated on the basis of the change in the CPI-W for the measurement period March 2004 to September 2004. The twelve cents will be added to the existing 87-cent COL allowance for a total COL allowance of 99 cents effective January 1, 2005.

This COL allowance for the BMWE, UTU, Yardmasters, IBB, IBEW, TCU Clerks and Carmen, and BRS applies only to those railroads that have not eliminated the COL Adjustment provisions of the 1996 contracts through subsequent agreements. For example, if you are a party to any of the national agreements with those organizations reached in 2001 to 2004 the COL adjustment should be disregarded insofar as employees covered by such contracts.


H. Glen Williams, Jr.

National IBEW
(new)

Case No. A-13160

ARBITRATED AGREEMENT

THIS ARBITRATED AGREEMENT, effective November 5, 2004 pursuant to the Award of Arbitration Board No. 582, by and between the participating carriers listed in Exhibit A attached hereto and represented by the National Carriers' Conference Committee, and the employees shown thereon and represented by the International Brotherhood of Electrical Workers, witnesseth:

IT IS HEREBY AGREED:

ARTICLE I - WAGES

Section 1 - First General Wage Increase

On June 30, 2002, all hourly, daily, weekly, and monthly rates of pay in effect on the preceding day for employees covered by this Agreement shall be increased in the amount of two-and-one-half (2-1/2) percent applied so as to give effect to this increase in pay irrespective of the method of payment. The increase provided for in this Section 1 shall be applied as follows:

(a) **Hourly Rates** -

Add 2-1/2 percent to the existing hourly rates of pay.

(b) **Daily Rates** -

Add 2-1/2 percent to the existing daily rates of pay.

(c) **Weekly Rates** -

Add 2-1/2 percent to the existing weekly rates of pay.

(d) Monthly Rates -

Add 2-1/2 percent to the existing monthly rates of pay.

(e) Disposition of Fractions -

Rates of pay resulting from application of paragraphs (a) to (d), inclusive, above which end in fractions of a cent shall be rounded to the nearest whole cent, fractions less than one-half cent shall be dropped, and fractions of one-half cent or more shall be increased to the nearest full cent.

(f) Application of Wage Increase -

The increase in wages provided for in this Section 1 shall be applied in accordance with the wage or working conditions agreement in effect between each carrier and the labor organization party hereto. Special allowances not included in fixed hourly, daily, weekly or monthly rates of pay for all services rendered, and arbitraries representing duplicate time payments, will not be increased. Overtime hours will be computed in accordance with individual schedules for all overtime hours paid for.

Section 2 - Second General Wage Increase

Effective July 1, 2002, all hourly, daily, weekly and monthly rates of pay in effect on June 30, 2002 for employees covered by this Agreement shall be increased by three-and-one-half (3-1/2) percent applied in the same manner as provided for in Section 1 hereof and applied so as to give effect to this increase irrespective of the method of payment.

Section 3 - Third General Wage Increase

Effective July 1, 2003, all hourly, daily, weekly and monthly rates of

National IBEW
(new)

pay in effect on June 30, 2003 for employees covered by this Agreement shall be increased in the amount of three (3) percent applied in the same manner as provided for in Section 1 hereof and applied so as to give effect to this increase irrespective of the method of payment.

Section 4 - Fourth General Wage Increase

Effective July 1, 2004, all hourly, daily, weekly and monthly rates of pay in effect on June 30, 2004 for employees covered by this Agreement shall be increased in the amount of three-and-one-quarter (3-1/4) percent applied in the same manner as provided for in Section 1 hereof and applied so as to give effect to this increase irrespective of the method of payment

ARTICLE II - OPTIONAL ALTERNATIVE COMPENSATION PROGRAM

Section 1

A carrier, at its discretion, may offer employees alternative compensation arrangements in lieu of the general wage increases provided in Article I (in whole or part). Such arrangements may include, for example, stock options, stock grants (including restricted stock), bonus programs based on carrier performance, and 401(k) plans.

Section 2

(a) The following conditions shall govern implementation of alternative compensation arrangements pursuant to this Article:

(1) Carrier shall notify the appropriate organization representative(s) regarding its proposed alternative compensation arrangement(s). The parties shall meet promptly on such proposal and use their best efforts to reach agreement on implementation;

(2) The proposed arrangement(s) may be implemented only by mutual agreement of the carrier and the appropriate organization representative(s);

(3) The proposed arrangement(s) must be made available to the smallest employee grouping that can be reasonably administered.

(b) Nothing herein shall be construed to bar the parties from reaching mutual agreement on different terms or conditions pertaining to implementation of this Article.

ARTICLE III - COST-OF-LIVING PAYMENTS

Part A - Cost-of-Living Payments Under Article II, Part C of Agreement dated September 16, 1996

On October 1, 2001, twenty-seven (27) cents-per hour of the cost-of-living allowance payable pursuant to Article II, Part C of the Agreement dated September 16, 1996 ("Article II, Part C") shall be rolled in to basic rates of pay. Article II, Part C shall be eliminated effective June 30, 2002. Cost-of-living allowance payments made to employees for periods on or before June 30, 2002 shall be retained. Any cost-of-living allowance payments made to employees for periods on and after July 1, 2002 shall be recovered from any retroactive wage increase payments made under Article I.

Part B - Cost of Living Allowance and Adjustments Thereto After January 1, 2005

Section 1 - Cost-of-Living Allowance and Effective Dates of Adjustments

(a) A cost of living allowance shall be payable in the manner set forth in and subject to the provisions of this Part, on the basis of the "Consumer Price Index for Urban Wage Earners and Clerical Workers (Revised Series) (CPI-W)" (1967=100), U.S. Index, all items - unadjusted, as

National UTU-YMB

Document "B"

SUPPLEMENTAL AGREEMENT

THIS AGREEMENT, made this 6th day of November, 2003 by and between the participating carriers listed in Exhibit A, attached hereto and made a part hereof, and represented by the National Carriers' Conference Committee, and the employees of such carriers shown thereon and represented by the Yardmasters Department, United Transportation Union, witnesseth:

IT IS HEREBY AGREED:

SECTION 1 - PURPOSE

This Agreement is made pursuant to Article IV - Health and Welfare of the parties' August 20, 2002 Agreement - Document "B" ("2002 National Agreement") and is intended to be a full and final disposition of the parties' respective pending bargaining notices concerning health and welfare issues. Its terms are incorporated into and will be a part of the 2002 National Agreement as provided herein.

SECTION 2 - AMENDED EFFECTIVE DATE

For the purpose of defraying health and welfare costs, Section 4 - Third General Wage Increase of the 2002 National Agreement is amended to provide that the effective date of such General Wage Increase shall be December 1, 2004 instead of July 1, 2004.

SECTION 3 - COST-OF-LIVING ALLOWANCE AMENDMENTS

Part B of Article III - Cost-Of-Living Payments of the 2002 National Agreement is amended to read as follows:



Memo

To: self
From: Clyde Crimmel
CC: Shou-Lien Liu
Date: 11/19/2004
Re: Non-Union Wage Increase for 2005

The AAR has no contract for non-union wage increases. For RCAF calculations in recent years, the non-union work force has been assigned a wage increase at the beginning of the year that is similar to what the unions get – but no second increase was given during the year. Differences are eventually corrected by the rebenchmarking procedure that uses newer wage statistics.

In December 2004, the largest railroad union (UTU) received a 3.0 percent wage increase. The Yardmaster Department of the UTU also received the same December¹ increase, and the IBBM received the 3.0 percent wage increase last July. The BRS, TCU and TCU-Carmen received a 3.25 percent wage increase in July.

For the last two years, we assigned the non-union labor force the same increase as the UTU, UTU-Yardmasters, and IBBM. Those three unions account for about 25 percent of the workforce. The July increase for those unions was assigned to the non-union workforce effective January 1. To be consistent with the last two years, we will again use the UTU-IBBM July/December increase for all non-union employees. The 3.0 percent increase will be effective January 1, 2005.

¹ This increase was originally scheduled for July 1, 2004. However, supplemental agreement postponed the general wage increase until December 1, 2004.

NS - BLE

ARTICLE II - SIGNING BONUS

- (a) Not later than three months after the date of this Agreement each employee covered by this Agreement who qualifies under subsection (b) shall be paid a Lump Sum of \$2,000.00. Such Lump Sum shall be paid in a separate check and shall be subject to withholdings for applicable Federal, State and Local Taxes.
- (b) To qualify for the Lump Sum an employee must:
- (1) have an employment relationship with the Carrier as of April 1, 2003 or have retired or died subsequent to the date of this Agreement; and
 - (2)
 - (i) have compensation for active service performed during the period February 1, 2003 through March 31, 2003, or
 - (ii) have been on authorized leave for such entire period of personal illness, on-duty injury, or pursuant to the Family and Medical Leave Act, and return to active service not later than August 1, 2003, or
 - (iii) have been out of service for such entire period due to Carrier disciplinary action that is subsequently rescinded or overturned with pay for all time lost.
- (c) There shall be no duplication of the lump sum payment by virtue of employment under an agreement with another organization, nor will such payment be used to offset, construct or increase guarantees in protection agreement or arrangements. Engineers receiving a lump sum payment under a separate agreement, such as the Longevity Bonus contained in the 2002 UTU National Agreement, will receive the difference between that amount and \$2,000.00 (if otherwise eligible for the signing bonus).

ARTICLE III - WAGES**Section 1 - First General Wage Increase**

Effective January 1, 2005 all standard basic daily rates of pay for employees represented by the Brotherhood of Locomotive Engineers in effect on December 31, 2004 shall be increased by four (4) percent.

Section 2 - Second General Wage Increase

Effective January 1, 2007 all standard basic daily rates of pay for employees represented by the Brotherhood of Locomotive Engineers in effect on December 31, 2006 shall be increased by two (2) percent.

- (c) There shall be no duplication of the Longevity Bonus by virtue of employment under another agreement, nor will such payment be used to offset, construct or increase guarantees in protective agreements or arrangements.

Section 2 – First General Wage Increase

Effective July 1, 2002, all standard basic daily rates of pay for employees represented by the United Transportation Union in effect on June 30, 2002, shall be increased by four (4) percent.

Section 3 – Second General Wage Increase

Effective July 1, 2003, all standard basic rates of pay for employees represented by the United Transportation Union in effect on June 30, 2003, shall be increased by two and one-half (2-1/2) percent.

Section 4 – Third General Wage Increase

Effective December 1, 2004, all standard basic rates of pay for employees represented by the United Transportation Union in effect on November 30, 2004, shall be increased by three (3) percent.

Section 5 – Standard Rates

The standard basic daily rates of pay produced by application of the increases provided for in this Article are set forth in Appendix 1, which is a part of this Agreement.

Section 6 – Application of Wage Increases

- (a) The adjustments provided for in this Article will not apply to duplicate time payments, including arbitraries and special allowances that are expressed in time, miles or fixed amounts of money, but will apply to mileage rates of pay for miles run in excess of the number of miles comprising a basic day.
- (b) In train and yard ground service, miscellaneous rates based upon hourly or daily rates of pay, as provided in the schedules or wage

(i) Other than standard rates:

- (i) Existing basic daily rates of pay other than standard shall be changed, effective as of the dates specified in Sections 2, 3, and 4 hereof, by the same respective percentages as set forth therein, computed and applied in the same manner as the standard rates were determined.
- (ii) Daily rates of pay, other than standard, of conductors, brakemen and flagmen employed in local freight service, or on road switchers, roustabout runs, mine runs, or in other miscellaneous service, on runs of miles equal to or less than the number encompassed in the basic day, which are therefore paid on a daily basis without a mileage component, shall be increased as of the effective dates specified in Sections 2, 3, and 4 hereof, by the same respective percentages as set forth therein, computed and applied in the same manner as provided in paragraph i (i) above. This provision does not apply to the Trip Rates established pursuant to Article IV of this Agreement.

ARTICLE II – COST-OF-LIVING PAYMENTS

Part A – Cost-of-Living Payments Under July 1, 1998, Soo/UTU Agreement

Section 1

Article II, Part C of the July 1, 1998, Soo/UTU Agreement, shall be eliminated effective on the date of this Agreement. On June 30, 2002, the forty-eight (48) cent cost-of-living allowance pursuant to such provision in effect on that date shall be rolled into basic rates of pay.

Section 2

Cost-of-living allowances applied subsequent to June 30, 2002, will be rolled out of base pay before application of the July 1, 2003, General Wage Increase and retroactive back pay will be offset by the amount of COLA for which the employee has already been compensated.

DWP IBEW

ARTICLE V - 401 K

On or before June 1, 2000, the company will establish an Employee Savings Plan designed and intended to operate in conformity with Section 401(k) of the Internal Revenue Code, as amended. The Plan will be available to active employees and employees in furlough status and will conform to the principles contained in Attachment C to this document. Except for changes in the Plan mandated by subsequent change in the Internal Revenue Code, the parties to this Agreement will not serve nor progress any notice or proposal for changing the specific provisions of Attachment C hereto.

ARTICLE VI - HEALTH AND WELFARE.

The parties will adopt the provisions of the national settlement dated September 16, 1996 covering health and welfare issues, for dental care, vision care and health care benefits. The parties agree to adopt cost sharing provisions in national handling to the extent that employee contributions shall equal but not exceed the year to year cost sharing provisions agreed to in national handling through 2003. If the employee cost sharing contribution for Health and Welfare has not already been deducted from cost-of-living-allowances, the contribution shall be deducted from the retroactive payments provided in Article I. If employee cost sharing contributions for Health and Welfare are applicable after March 1, 2000, the contributions shall be spread over the years in equal payments to the extent practicable. These employee cost sharing provisions shall not extend beyond December 31, 2003, except by mutual agreement.

MEMORANDUM OF AGREEMENT
BETWEEN THE
SOO LINE RAILROAD COMPANY
AND THE
TRANSPORTATION COMMUNICATIONS UNION

ARTICLE I – WAGES

Section 1 - First General Wage Increase

On June 30, 2002, all daily rates of pay in effect on the preceding day for employees covered by this Agreement shall be increased in the amount of two-and-one-half (2-1/2) percent applied so as to give effect to this increase in pay irrespective of the method of payment.

Application of Wage Increases

(a) **Daily Rates -**

Add 2-1/2 percent to the existing daily rates of pay

(b) **Disposition of Fractions -**

Rates of pay resulting from application of paragraph (a) above, which end in fractions of a cent shall be rounded to the nearest whole cent, fractions less than one-half cent shall be dropped, and fractions of one-half cent or more shall be increased to the nearest full cent.

(c) **Application of Wage Increase -**

The increase in wages provided for in this Section 1 shall be applied in accordance with the wage or working conditions agreement in effect between Soo and TCU. Special allowances not included in rates of pay for all services rendered, will not be increased. Overtime hours will be computed in accordance with Soo schedules for all overtime hours paid for.

Section 2 - Second General Wage Increase

Effective August 1, 2002, rates of pay in effect on June 30, 2002 for employees covered by this Agreement shall be increased in the amount of three-and-one-half (3-1/2) percent applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 2 shall be applied in the same manner as provided for in Section 1 hereof.

Section 3 - Third General Wage Increase

Effective July 1, 2003, rates of pay in effect on June 30, 2003 for employees covered by this Agreement shall be increased in the amount of three (3) percent applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 3 shall be applied in the same manner as provided for in Section 1 hereof.

Section 4 - Fourth General Wage Increase

Effective July 1, 2004, rates of pay in effect on June 30, 2004 for employees covered by this Agreement shall be increased in the amount of three-and-one-quarter (3-1/4) percent applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 4 shall be applied in the same manner as provided for in Section 1 hereof.

ARTICLE II - COST-OF-LIVING ALLOWANCE**Part A - Cost-of-Living Payments Under August 6, 1999 Agreement**

On October 1, 2001, twenty-seven (27) cents-per-hour of the cost-of-living allowance payable pursuant to Article II, Part B of the November 1, 1997 Agreement between Soo and TCU shall be rolled into basic rates of pay. Article II, Part B shall be eliminated effective June 30, 2002.

Cost-of-living allowance payments made to employees for periods on or before June 30, 2002 shall be retained. Any cost-of-living allowance payments made to employees for periods on and after July 1, 2002 shall be

Initialed Copy

recovered from any retroactive wage increase payments made under Article I.

Part B - Cost-of-Living Allowance and Adjustments Thereto After January 1, 2005

Section 1 - Cost-of-Living Allowance and Effective Dates of Adjustments

- (a) A cost-of-living allowance shall be payable in the manner set forth in and subject to the provisions of this Part, on the basis of the "Consumer Price Index for Urban Wage Earners and Clerical Workers (Revised Series) (CPI-W)" (1967=100), U.S. Index, all items - unadjusted, as published by the Bureau of Labor Statistics, U.S. Department of Labor, and hereinafter referred to as the CPI. The first such cost-of-living allowance shall be payable effective July 1, 2005 based, subject to paragraph (b), on the CPI for March 2005 as compared with the CPI for September 2004. Such allowance, and further cost-of-living adjustments thereto which shall become effective as described below, shall be based on the change in the CPI during the respective measurement periods shown in the following table, subject to the exception provided in paragraph (b)(iii), according to the formula set forth in paragraph (c).

<u>Measurement Periods</u>		
<u>Base Month</u>	<u>Measurement Month</u>	<u>Effective Date of Adjustment</u>
September 2004	March 2005	July 1, 2005
March 2005	September 2005	January 1, 2006

Measurement Periods and Effective Dates conforming to the above schedule shall be applicable to periods subsequent to those specified above during which this Article is in effect.

- (b) (i) Cap. In calculations under paragraph (c), the maximum increase in the CPI that shall be taken into account shall be as follows:

Initialed Copy

revocation that the employee and/or his dependents would have been covered but for the Opt-Out-Election the employee had previously made) for medical benefits under the Plan.

The following events are the events referred to in the immediately preceding paragraph:

- (1) the employee loses eligibility under, or there is a termination of employer contributions for, the other coverage that allowed the employee to make the Opt-Out Election, or
- (2) if COBRA was the source of such other coverage, that COBRA coverage is exhausted.

Part B – Employee Cost Sharing of Plan Cost Increases

Section 1 – Employee Cost-Sharing Contributions

- (a) Effective July 1, 2001, each employee covered by this Agreement shall contribute \$33.39 per month to the Plan for each month that Soo is required to provide medical benefits coverage for himself and/or his eligible dependents under the Plan, except as provided in Side Letter No. 12.
- (b) Effective July 1, 2002, the per month employee cost-sharing contribution amount set forth in subsection (a) shall be changed to \$81.18.
- (c) Effective July 1, 2003, the per month employee cost-sharing contribution amount set forth in subsection (b) shall be changed to \$79.74.
- (d) Effective July 1, 2004, the per month employee cost-sharing contribution amount set forth in subsection (c) shall be changed to \$91.32.
- (e) Effective January 1, 2005, the per month employee cost-sharing contribution amount will be based on the new option chosen by the

MEMORANDUM OF AGREEMENT
BETWEEN THE
SOO LINE RAILROAD COMPANY
AND THE
BROTHERHOOD OF RAILWAY CARMEN –
DIVISION OF TCU

ARTICLE I – WAGES

Section 1 - First General Wage Increase

On June 30, 2002, all hourly and monthly rates of pay in effect on the preceding day for employees covered by this Agreement shall be increased in the amount of two-and-one-half (2-1/2) percent applied so as to give effect to this increase in pay irrespective of the method of payment.

Application of Wage Increases

(a) **Hourly Rates -**

Add 2-1/2 percent to the existing hourly rates of pay

(b) **Disposition of Fractions -**

Rates of pay resulting from application of paragraph (a) above, which end in fractions of a cent shall be rounded to the nearest whole cent, fractions less than one-half cent shall be dropped, and fractions of one-half cent or more shall be increased to the nearest full cent.

(c) **Application of Wage Increase -**

The increase in wages provided for in this Section 1 shall be applied in accordance with the wage or working conditions agreement in effect between Soo and BRC. Special allowances not included in fixed hourly, or monthly rates of pay for all services rendered, will not be increased. Overtime hours will be computed in accordance with Soo schedules for all overtime hours paid for.

Section 2 - Second General Wage Increase

Effective August 1, 2002, all hourly and monthly rates of pay in effect on June 30, 2002 for employees covered by this Agreement shall be increased in the amount of three-and-one-half (3-1/2) percent applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 2 shall be applied in the same manner as provided for in Section 1 hereof.

Section 3 - Third General Wage Increase

Effective July 1, 2003, all hourly and monthly rates of pay in effect on June 30, 2003 for employees covered by this Agreement shall be increased in the amount of three (3) percent applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 3 shall be applied in the same manner as provided for in Section 1 hereof.

Section 4 - Fourth General Wage Increase

Effective July 1, 2004, all hourly and monthly rates of pay in effect on June 30, 2004 for employees covered by this Agreement shall be increased in the amount of three-and-one-quarter (3-1/4) percent applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 4 shall be applied in the same manner as provided for in Section 1 hereof.

ARTICLE II - COST-OF-LIVING ALLOWANCE**Part A - Cost-of-Living Payments Under the November 1, 1997 Agreement**

On October 1, 2001, twenty-seven (27) cents-per-hour of the cost-of-living allowance payable pursuant to Article II, Part B of the July 18, 1997 Agreement between Soo and BRC shall be rolled into basic rates of pay. Article II, Part B shall be eliminated effective June 30, 2002.

Cost-of-living allowance payments made to employees for periods on or before June 30, 2002 shall be retained. Any cost-of-living allowance payments made to employees for periods on and after July 1, 2002 shall be recovered from any retroactive wage increase payments made under Article I.

Part B - Cost-of-Living Allowance and Adjustments Thereto After January 1, 2005

Section 1 - Cost-of-Living Allowance and Effective Dates of Adjustments

- (a) A cost-of-living allowance shall be payable in the manner set forth in and subject to the provisions of this Part, on the basis of the "Consumer Price Index for Urban Wage Earners and Clerical Workers (Revised Series) (CPI-W)" (1967=100), U.S. Index, all items - unadjusted, as published by the Bureau of Labor Statistics, U.S. Department of Labor, and hereinafter referred to as the CPI. The first such cost-of-living allowance shall be payable effective July 1, 2005 based, subject to paragraph (b), on the CPI for March 2005 as compared with the CPI for September 2004. Such allowance, and further cost-of-living adjustments thereto which shall become effective as described below, shall be based on the change in the CPI during the respective measurement periods shown in the following table, subject to the exception provided in paragraph (b)(iii), according to the formula set forth in paragraph (c).

<u>Measurement Periods</u>		<u>Effective Date of Adjustment</u>
<u>Base Month</u>	<u>Measurement Month</u>	
September 2004	March 2005	July 1, 2005
March 2005	September 2005	January 1, 2006

Measurement Periods and Effective Dates conforming to the above schedule shall be applicable to periods subsequent to those specified above during which this Article is in effect.

revocation that the employee and/or his dependents would have been covered but for the Opt-Out-Election the employee had previously made) for medical benefits under the Plan.

The following events are the events referred to in the immediately preceding paragraph:

- (1) the employee loses eligibility under, or there is a termination of employer contributions for, the other coverage that allowed the employee to make the Opt-Out Election, or
- (2) if COBRA was the source of such other coverage, that COBRA coverage is exhausted.

Part B – Employee Cost Sharing of Plan Cost Increases

Section 1 – Employee Cost-Sharing Contributions

- (a) Effective July 1, 2001, each employee covered by this Agreement shall contribute \$33.39 per month to the Plan for each month that Soo is required to provide medical benefits coverage for himself and/or his eligible dependents under the Plan, except as provided in Side Letter No. 12.
- (b) Effective July 1, 2002, the per month employee cost-sharing contribution amount set forth in subsection (a) shall be changed to \$81.18.
- (c) Effective July 1, 2003, the per month employee cost-sharing contribution amount set forth in subsection (b) shall be changed to \$79.74.
- (d) Effective July 1, 2004, the per month employee cost-sharing contribution amount set forth in subsection (c) shall be changed to \$91.32.
- (e) Effective January 1, 2005, the per month employee cost-sharing contribution amount will be based on the new option chosen by the

Health and Welfare

	Employees Receiving		Total 2003	Total 2005
	Pay 2003	Contribution 2003 2005		
1. All Employees				
a. Group health	162,491	\$875.93 \$948.19	142,330,741.63	154,072,341.29
b. Group dental	162,491	52.20 47.20	8,482,030.20	7,669,575.20
c. Early retirement major medical	162,491	65.73 90.57	10,680,533.43	14,716,809.87
d. Group vision	162,491	8.61 10.84	1,399,047.51	1,761,402.44
2. Suppl. Sickness				
a. Signalmen	6,182	31.75 32.00	196,278.50	197,824.00
b. Shopcrafts	24,405	47.50 61.00	1,159,237.50	1,488,705.00
c. MOW	25,190	39.25 36.00	988,707.50	906,840.00
d. Yardmasters	2,387	31.33 44.48	74,784.71	106,173.76
3. Short-Term Disability (began 7/1/04)				
a. Engineers (CSX, KCS, UP)	13,845	0.00 40.00	0.00	553,800.00
4. Monthly Total Premiums			\$165,311,360.98	\$181,473,471.56
5. Monthly Employee Contributions To H&W				
a. TCU (BNSF, CSX, GTW, KCS, NS, UP)	10,795	(\$91.42)		(\$986,878.90)
b. TCU-BRC (BNSF, CSX, KCS, NS, UP)	9,973	(\$91.42)		(911,731.66)
c. Indep.\$25 Group (various CN)	2,076	(\$25.00)		(51,900.00)
d. BRS (BNSF, CSX, KCS, NS, SOO, UP)	5,890	(\$100.00)		(589,000.00)
e. UTU (BNSF, CC, CSX, DWP, GTW, IC, KCS, NS, SOO, UP)	39,231	(\$100.00)		(3,923,100.00)
f. UTU-YMD (BNSF, CSX, GTW, KCS, NS)	1,756	(\$100.00)		(175,600.00)
g. BLE (BNSF, CSX, GTW, KCS, NS, UP)	24,571	(\$91.42)		(2,246,280.82)
h. Indep. ATDA (CSX, NS, SOO)	1,006	(\$91.42)		(91,968.52)
i. Indep. ATDA (BNSF)	695	(\$91.32)		(63,467.40)
j. IBEW (BNSF, CSX, GTW, KCS, NS, UP)	4,701	(\$100.00)		(470,100.00)
k. Indep. TCU & TCU-CAR (SOO)	230	(\$100.00)		(23,000.00)
Total	100,924			(\$9,533,027.30)
6. Net Employer Payments			\$165,311,360.98	\$171,963,444.26
7. Ratio Projected Year to Base Year, Based on Net Monthly Payments				1.04024
8. H&W hourly rate for base year (excludes employee cost sharing payments)			\$4.922	
9. H&W hourly rate for projected quarter				\$5.120

Sources:

Employee counts are from the 2003 112-Class Wage Statistics.

Health & Welfare monthly premiums per employee are from the National Railway Labor Conference or contracts.

Employee monthly contribution rates are specified in the union contracts.

H&W hourly rate for base year benchmark is in SUPPL2003.XLS, and based on annual report and wage data.

H&W hourly rate for projected year is the benchmark figure updated by the ratio of projected year to base year.

Health and Welfare

Employer H&W Contribution

		2003 Pd. Employees
Supplemental Sickness Plan:		
a. Signalmen	BRS	6,182
b. Shopcrafts	Total	24,405
	IBEW	4,921
	IBBM	1,020
	TCU-Car	10,821
	IAM	6,588
	SMW	1,055
c. MOW	BMWE	25,190
d. Yardmasters	UTU-YMD	2,387

Short-Term Disability Contribution:

a. Engineers	Total BLE	13,845
	CSX	5,514
	KCS	519
	UP	7,812

Employee H&W Cost Sharing

Group	Railroads	Contract Source
a. TCU	BNSF, CSX, KCS, NS, UP	Article III Part B Section 1 (d)
	GTW	Article VIII
b. TCU-Carmen	BNSF, CSX, KCS, NS, UP	Article III Part B Section 1 (d)
c. Independent \$25		
BMWE	IC	Article III
BRS, IBBM, IBEW, NCFO	IC	Article III (a)
TCU, TCU-Car, SMW	IC	Article III (a)
BLE	IC and CC&P	Article 22 Section 1 and Attachment A
TCU-Car	GTW	Article V (a)
d. BRS	BNSF, CSX, KCS, NS, UP	Article III Part B Section 1 (d)
	SOO	Article III Part B Section 1 (d) & Soo
e. UTU	BNSF, CSX, KCS, NS, UP	Article IV Part B Section 1 (b)
	CC&P and IC	Article 22 Section 1
	DW&P (including engineers)	Article 23 Section 1
	GTW	Article II
	SOO	Article III Part B Section 1 (b)
f. UTU-YDM	BNSF, KCS, NS	Article IV Part B Section 1 (b)
	CSX	Side Letter #1
	GTW	Side Letter #3
g. BLE	CSX, KCS, UP	Article IV Part B Section 1 (d)
	BNSF	Article III Part B Section 1 (d)
	GTW	Per CN Labor Relations
	NS	Article IX Sections 2 & 3
h. Independent ATDA	CSX	Section III Part B Section 1 (d)
ATDA	NS	Appendex A Part B Section 1 (d)
	SOO	Article III Part B Section 1 (d) & Soo
i. Independent ATDA	BNSF	Article III Part B Section 1 (a)
j. IBEW	BNSF, CSX, KCS, NS, UP	Article IV Part B Section 1, per Glen Williams of NRLC
	GTW	Article IV
k. Indep. TCU & TCU-CAR	SOO	Article III Part B Section 1 (e)

Note: DW&P's engineers, which are typically represented by the BLE, are represented by the UTU.

NATIONAL RAILWAY LABOR CONFERENCE

EMPLOYEE BENEFITS DEPARTMENT

1901 L STREET, N.W., WASHINGTON, D.C. 20036-3514 ♦♦♦♦ PHONE: (202) 862-7200 FAX: (202) 862-7253

JOSEPH EPSTEIN
Director Employee Benefits
(202) 862-7244
E-mail: jepstein@rrnrlc.org

SUSAN E. PARKS, CEBS
Benefits Administrator
(202) 862-7225
E-mail: sparks@rrnrlc.org

November 23, 2004

Mr. Clyde Crimmel
Director Statistical Information
Policy & Communications Department
AAR-5th Floor
50 F Street N.W.
Washington, D.C. 20009

Dear Mr. Crimmel:

The revised employer Payment Rates which are effective January 1, 2005 are as follows:

UNUMProvident - Supplemental Sickness Plans	
ShopCrafts	\$ 61.00
Signalmen	\$ 32.00
Maintenance of Way	\$ 36.00
Trustmark - Supplemental Sickness Plans	
Yardmasters	\$ 44.48
Railroad Employees National Health & Welfare Plan & National Railway Carriers/United Transportation Union H&W Plan	
Non-Hospital Road	\$948.19
Railroad Employees National Early Retirement Major Medical Benefit Plan	
Non-Hospital Road	\$ 90.57
Aetna - National Dental Plan	\$ 47.20
VSP - National Vision Plan	\$ 10.84

If you have any questions or need clarification, please contact me.

Very truly yours,



Susan E. Parks

cc: Glen Williams

**NATIONAL RAILWAY LABOR CONFERENCE
EMPLOYEE BENEFITS DEPARTMENT**

1901 L STREET, N.W., WASHINGTON, D.C. 20036-3514 ♦♦♦♦ PHONE: (202) 862-7200 FAX: (202) 862-7253

JOSEPH EPSTEIN
Director Employee Benefits
(202) 862-7244
E-mail: jepstein@nrlc.org**SUSAN E. PARKS, CEBS**
Benefits Administrator
(202) 862-7225
E-mail: sparkes@nrlc.org

November 14, 2002

Mr. Clyde Crimmel
Director Statistical Information
Policy & Communications Department
AAR-5th Floor
50 F Street N.W.
Washington, D.C. 20009

Dear Mr. Crimmel:

The revised employer Payment Rates which are effective January 1, 2003 are as follows:

UNUMProvident - Supplemental Sickness Plans	
ShopCrafts	\$ 47.50
Signalmen	\$ 31.75
Maintenance of Way	\$ 39.25
Trustmark - Supplemental Sickness Plans	
Yardmasters	\$ 31.33
Railroad Employees National Health & Welfare Plan & National Railway Carriers/United Transportation Union H&W Plan	
Non-Hospital Road	\$875.93
Railroad Employees National Early Retirement Major Medical Benefit Plan	
Non-Hospital Road	\$ 65.73
Aetna - National Dental Plan	\$ 52.20
VSP - National Vision Plan	\$ 8.61

If you have any questions or need clarification, please contact me.

Very truly yours,


Susan E. Parks

cc: Carol Kearns

TOTAL P.02

Nat. BLE
Fringe Benefits

(i) Each of the Plan design changes contained in this Section shall be implemented as soon as practicable except as otherwise provided.

Section 5 - Short-Term Disability

(a) During each month beginning with the month of July, 2004, the carrier shall remit to the BLE's insured short-term disability plan ("STD Plan") the sum of \$40.00 (as provided in Article I, Section 5(b)) on a pre-tax basis with respect to each employee covered by this Agreement for whom the carrier is required to make a payment to the Railroad Employees National Health and Welfare Plan or to the new health and welfare plan described in Part C of this Article during the same month for foreign-to-occupation health care benefits.

(b) For carriers not covered by Article I, Section 5(b), carrier payment arrangements (if any) with respect to the STD Plan shall be governed by such terms as may be agreed to by the parties.

Part B - Employee Cost Sharing of Plan Cost Increases

Section 1 - Employee Cost-Sharing Contributions

(a) Effective July 1, 2001, each employee covered by this Agreement shall contribute \$33.39 per month to the Plan for each month that his employer is required to make a contribution to the Plan on his behalf for foreign-to-occupation health benefits coverage for himself and/or his dependents.

(b) Effective July 1, 2002, the per month employee cost-sharing contribution amount set forth in subsection (a) shall be changed to \$81.18.

(c) Effective July 1, 2003, the per month employee cost-sharing contribution amount set forth in subsection (b) shall be changed to \$79.74.

- (b) Effective July 1, 2004, the per month employee cost-sharing contribution amount set forth in subsection (a) shall be changed to \$100.00.
- (c) Effective July 1, 2005, the per month employee cost-sharing contribution amount set forth in subsection (b) shall be increased by the lesser of (x) one-half of the increase, if any, in the carriers' 2005 monthly payment rate over such payment rate for 2004, and (y) one-half of the cost-of-living allowance effective July 1, 2005, pursuant to Article II, Part B, Section 1(a), multiplied by one-twelfth of the average straight-time equivalent hours ("ASTE Hours") for calendar year 2003.
- (d) Effective January 1, 2006, the per month employee cost-sharing contribution amount in effect on December 31, 2005, shall be increased by the lesser of (x) the sum of (i) one-half of the increase, if any, in the carriers' 2006 monthly payment rate over such payment rate for 2005, plus (ii) the amount (if any) by which the number described in part (x) of subsection (c) of this Section exceeds the product described in part (y) of such subsection (c), and (y) one-half of the cost-of-living allowance effective January 1, 2006, pursuant to Article II, Part B, Section 1(a), multiplied by one-twelfth of the ASTE Hours for calendar year 2004.
- (e) Effective July 1, 2006, the per month employee cost-sharing contribution amount in effect June 30, 2006, shall be increased by the lesser of (x) the amount (if any) by which the number described in part (x) of subsection (d) of this Section exceeds the product described in part (y) of such subsection (d), and (y) one-half of the cost-of-living allowance effective July 1, 2006, pursuant to Article II, Part B, Section 1(a), multiplied by one-twelfth of the ASTE Hours for calendar year 2004.
- (f) Effective January 1, 2007, the per month employee cost-sharing contribution amount in effect on December 31, 2006, shall be increased by the lesser of (x) the sum of (i) one-half of the increase, if any, in the carriers' 2007 monthly payment rate over such payment rate for 2006, plus (ii) the amount (if any) by which the number described in part (y) of such subsection (e), and (y) one-half of the cost-of-living allowance effective January 1, 2007, pursuant to Article

Wat IBEW

(d) Effective July 1, 2004, the per month employee cost-sharing contribution amount set forth in subsection (c) shall be increased by the lesser of (x) thirty (30) percent of the increase, if any, in the carriers' 2004 monthly payment rate over such payment rate for 2003, and (y) \$8.62.

(e) Effective July 1, 2005, the per month employee cost-sharing contribution amount set forth in subsection (d) shall be increased by the lesser of (x) one-half of the increase, if any, in the carriers' 2005 monthly payment rate over such payment rate for 2004, and (y) one-half of the cost-of-living allowance effective July 1, 2005 pursuant to Article III, Part B, Section 1(a), multiplied by one-twelfth of the average straight-time equivalent hours ("ASTE Hours") for calendar year 2003.

(f) Effective January 1, 2006, the per month employee cost-sharing contribution amount in effect on December 31, 2005 shall be increased by the lesser of (x) the sum of (i) one-half of the increase, if any, in the carriers' 2006 monthly payment rate over such payment rate for 2005, plus (ii) the amount (if any) by which the number described in part (x) of subsection (e) of this Section exceeds the product described in part (y) of such subsection (e), and (y) one-half of the cost-of-living allowance effective January 1, 2006 pursuant to Article III, Part B, Section 1(a), multiplied by one-twelfth of the ASTE Hours for calendar year 2004.

(g) Effective July 1, 2006, the per month employee cost-sharing contribution amount in effect on June 30, 2006 shall be increased by the lesser of (x) the amount (if any) by which the number described in part (x) of subsection (f) of this Section exceeds the product described in part (y) of such subsection (f), and (y) one-half of the cost-of-living allowance effective July 1, 2006 pursuant to Article III, Part B, Section 1(a), multiplied by one-twelfth of the ASTE Hours for calendar year 2004.

(h) Effective January 1, 2007, the per month employee cost-sharing contribution amount in effect on December 31, 2006 shall be increased by the lesser of (x) the sum of (i) one-half of the increase, if any, in the carriers'

NATIONAL RAILWAY LABOR CONFERENCE**ECONOMIC RESEARCH DEPARTMENT**

1901 L STREET, N.W., WASHINGTON, D.C. 20036-3514 • • PHONE: (202) 862-7200 FAX: (202) 862-7253

H. GLEN WILLIAMS Jr.
Director Economic Research
(202) 862-7232
gwilliams@rrnrlc.org

November 23, 2004

July 1, 2004 Health and Welfare Contributions
Under 2000 Round National Agreements
IBEW

CIRCULAR NO. 504-101-2 (H&W)
CIRCULAR NO. 840-9 (IBEW)

TO MEMBER ROADS:

The 2000 Round National Agreement with the above-referenced organization provides for employee cost-sharing contributions to be adjusted on July 1, 2004. The applicable National Agreement section and the entire amount of the monthly contribution effective July 1, 2004 are as follows:

Organization	2000 Round National Agreement Reference	Monthly Contribution
IBEW	Article IV, Part B, Sect. 1 (d)	\$100.00

H. Glen Williams, Jr.

GTW IBEW

care, the National Off-Track Vehicle Plan, Supplemental Sickness Plan, National Job Stabilization Plan and National Time-Off With Pay Agreements, such as vacation, holiday and personal leave.

They shall participate in the above stated National Plans and/or Agreements on a basis equivalent to agreements and understandings reached nationally between the IBEW and carriers represented by the NCCC in the bargaining which occurs as a result of the expiration of the moratorium contained in the September 16, 1996 IBEW National Agreement. With respect to employee cost sharing provisions, the parties agree that the employee cost sharing will equal the dollar amount contributed under the national agreement.

ARTICLE VI - SAVINGS CLAUSE

All rules, agreements, provisions, conditions or practices, however established, which may conflict with this agreement are superseded by the provisions of this agreement. The parties exchanged various proposals antecedent to adoption of various Articles that appear in this agreement. It is our mutual understanding that none of such antecedent proposals and drafts will be used by any party for any purpose and that the provisions of this agreement will be interpreted and applied as though such proposals and drafts had not been used or exchanged in the negotiation.

revocation that the employee and/or his dependents would have been covered but for the Opt-Out-Election the employee had previously made) for medical benefits under the Plan.

The following events are the events referred to in the immediately preceding paragraph:

- (1) the employee loses eligibility under, or there is a termination of employer contributions for, the other coverage that allowed the employee to make the Opt-Out Election, or
- (2) if COBRA was the source of such other coverage, that COBRA coverage is exhausted.

Part B – Employee Cost Sharing of Plan Cost Increases

Section 1 – Employee Cost-Sharing Contributions

- (a) Effective July 1, 2001, each employee covered by this Agreement shall contribute \$33.39 per month to the Plan for each month that Soo is required to provide medical benefits coverage for himself and/or his eligible dependents under the Plan, except as provided in Side Letter No. 12.
- (b) Effective July 1, 2002, the per month employee cost-sharing contribution amount set forth in subsection (a) shall be changed to \$81.18.
- (c) Effective July 1, 2003, the per month employee cost-sharing contribution amount set forth in subsection (b) shall be changed to \$79.74.
- (d) Effective July 1, 2004, the per month employee cost-sharing contribution amount set forth in subsection (c) shall be changed to \$91.32.
- (e) Effective January 1, 2005, the per month employee cost-sharing contribution amount will be based on the new option chosen by the

The following events are the events referred to in the immediately preceding paragraph:

- (1) the employee loses eligibility under, or there is a termination of employer contributions for, the other coverage that allowed the employee to make the Opt-Out Election, or
- (2) if COBRA was the source of such other coverage, that COBRA coverage is exhausted.

Part B – Employee Cost Sharing of Plan Cost Increases

Section 1 – Employee Cost-Sharing Contributions

- (a) Effective July 1, 2001, each employee covered by this Agreement shall contribute \$33.39 per month to the Plan for each month that Soo is required to provide medical benefits coverage for himself and/or his eligible dependents under the Plan, except as provided in Side Letter No. 12.
- (b) Effective July 1, 2002, the per month employee cost-sharing contribution amount set forth in subsection (a) shall be changed to \$81.18.
- (c) Effective July 1, 2003, the per month employee cost-sharing contribution amount set forth in subsection (b) shall be changed to \$79.74.
- (d) Effective July 1, 2004, the per month employee cost-sharing contribution amount set forth in subsection (c) shall be changed to \$91.32.
- (e) Effective January 1, 2005, the per month employee cost-sharing contribution amount will be based on the new option chosen by the employee from those listed in Appendix 1 of this Agreement (\$100/\$0). *See attached 11/24/04 e-mail from John Weiland.*
- (f) Effective July 1, 2005, the per month employee cost-sharing contribution amount set forth in subsection (e) shall be increased by

Railroad Retirement and Medicare

Employees Receiving Pay 162,491 (2003 Benchmark, 2002 RRB Distribution)
 Tier I Maximum 90,000 (Year = 2005)
 Tier II Maximum 66,900 (Year = 2005)
 Medicare Maximum no limit (Year = 2005)
 Tier I Tax Rate 6.20% (Year = 2005)
 Tier II Tax Rate 12.60% (Year = 2005)
 Medicare Tax Rate 1.45% (Year = 2005)

USA RCAF	Rate	Factor	RR Ret Tax	Hourly Rate
2002	\$27.258			
2003	\$27.952	1.02546	\$484,357,799	\$6.309
1Q/2005	\$29.332	1.07609	\$470,517,796	\$6.129
2Q/2005		0.00000	\$0	\$0.000
3Q/2005		0.00000	\$0	\$0.000
4Q/2005		0.00000	\$0	\$0.000

RR Ret Tax from RR_Retirement_03annual.xls, Hourly rate from SUPPL2003.xls
Rate = Taxable Rate

Railroad Retirement & Medicare, U.S.

Annual Earnings Groups	Percent of Total Employees	Employees Receiving Pay 2003	Avg Annual Earnings (2002 RRB Stats)	Estimated Avg. Annual Earnings	1Q/2005					
					Tier I Taxable	Tier II Taxable	Medicare Taxable	Tier I Tot Tax Emgs	Tier II Tot Tax Emg	Medicare Tot Tax Emg
\$0 - 21699	0.704	1,144	\$12,306	\$13,242	\$3,311	\$3,311	\$3,311	\$3,787,098	\$3,787,098	\$3,787,098
21700 - 23699	0.235	382	\$22,397	24,101	6,025	6,025	6,025	2,300,778	2,300,778	2,300,778
23700 - 25699	0.235	382	\$25,078	26,986	6,747	6,747	6,747	2,576,189	2,576,189	2,576,189
25700 - 27699	0.469	762	\$26,808	28,848	7,212	7,212	7,212	5,496,095	5,496,095	5,496,095
27700 - 29699	0.751	1,220	\$28,673	30,855	7,714	7,714	7,714	9,413,044	9,413,044	9,413,044
29700 - 31699	0.751	1,220	\$30,576	32,902	8,226	8,226	8,226	10,037,779	10,037,779	10,037,779
31700 - 33699	1.220	1,982	\$32,802	35,298	8,824	8,824	8,824	17,493,518	17,493,518	17,493,518
33700 - 35699	1.689	2,744	\$34,798	37,446	9,361	9,361	9,361	25,692,179	25,692,179	25,692,179
35700 - 37699	2.966	4,803	\$36,756	39,553	9,888	9,888	9,888	47,495,196	47,495,196	47,495,196
37700 - 39699	4.880	7,930	\$38,819	41,773	10,443	10,443	10,443	82,809,693	82,809,693	82,809,693
39700 - 41699	6.664	10,828	\$40,736	43,836	10,959	10,959	10,959	118,667,114	118,667,114	118,667,114
41700 - 43699	7.086	11,514	\$42,689	45,937	11,484	11,484	11,484	132,231,261	132,231,261	132,231,261
43700 - 45699	5.772	9,379	\$44,698	48,099	12,025	12,025	12,025	112,779,827	112,779,827	112,779,827
45700 - 47699	6.241	10,141	\$46,673	50,224	12,556	12,556	12,556	127,331,809	127,331,809	127,331,809
47700 - 49699	4.176	6,786	\$48,595	52,292	13,073	13,073	13,073	88,709,286	88,709,286	88,709,286
49700 - 51699	4.130	6,711	\$50,759	54,621	13,655	13,655	13,655	91,638,953	91,638,953	91,638,953
51700 - 53699	4.505	7,320	\$52,639	56,844	14,161	14,161	14,161	103,661,964	103,661,964	103,661,964
53700 - 55699	3.801	6,176	\$54,714	58,877	14,719	14,719	14,719	90,910,353	90,910,353	90,910,353
55700 - 57699	3.191	5,185	\$56,590	60,896	15,224	15,224	15,224	78,937,525	78,937,525	78,937,525
57700 - 59699	3.519	5,718	\$58,614	63,074	15,768	15,768	15,768	90,164,927	90,164,927	90,164,927
59700 - 61699	3.191	5,185	\$60,669	65,285	16,321	16,321	16,321	84,627,332	84,627,332	84,627,332
61700 - 63699	3.003	4,880	\$62,670	67,438	16,860	16,860	16,860	75,700,731	75,700,731	75,700,731
63700 - 65699	2.875	4,347	\$64,738	69,664	17,416	17,416	17,416	66,310,952	66,310,952	66,310,952
65700 - 67699	2.769	4,499	\$66,744	71,822	17,956	17,956	17,956	56,711,787	56,711,787	56,711,787
67700 - 69699	2.440	3,965	\$68,697	73,924	18,481	18,481	18,481	44,529,690	44,529,690	44,529,690
69700 - 71699	2.628	4,270	\$70,835	76,225	19,056	19,056	19,056	36,987,379	36,987,379	36,987,379
71700 - 73699	2.393	3,888	\$72,579	78,101	19,525	19,525	19,525	22,964,244	22,964,244	22,964,244
73700 - 75699	1.736	2,821	\$74,732	80,418	20,105	20,105	20,105	20,409,641	20,409,641	20,409,641
75700 - 77699	1.971	3,203	\$76,681	82,515	20,629	20,629	20,629	24,241,545	24,241,545	24,241,545
77700 - 79699	1.642	2,668	\$78,769	84,762	21,191	21,191	21,191	27,456,917	27,456,917	27,456,917
79700 - 81699	1.267	2,059	\$80,400	86,517	21,629	21,629	21,629	24,943	24,943	24,943
81700 - 83699	1.361	2,212	\$82,804	89,104	22,276	22,276	22,276	18,865,205	18,865,205	18,865,205
83700 - 85699	1.220	1,982	\$84,859	91,316	22,500	22,500	22,500	181,851,803	181,851,803	181,851,803
85700 - 87699	0.845	1,373	\$86,575	93,162	16,725	16,725	16,725	2,432,942,328	2,432,942,328	2,432,942,328
87700 - 89699	0.751	1,220	\$88,567	95,306	16,725	16,725	16,725	2,246,255,674	2,246,255,674	2,246,255,674
89700 - 91699	0.892	1,449	\$90,761	97,667	16,725	16,725	16,725	0.062	0.126	0.0145
91700 - 93699	0.751	1,220	\$92,717	99,772	16,725	16,725	16,725	\$150,842,424	\$283,028,215	\$36,647,157
93700 - 95699	0.516	838	\$94,528	101,720	16,725	16,725	16,725	Tier I & II & Medicare		\$470,517,796
95700 - over	4.974	8,082	\$121,752	131,016	16,725	16,725	16,725			
TOTAL	100.000000	162,491	\$57,817							

RR_Retirement2005.xls

AAR

11/29/2004

**Tax Rates and Maximum Taxable Earnings Under Social Security,
Railroad Retirement and Railroad Unemployment Insurance Programs, Continued**

Period	Railroad Retirement					Railroad Unemployment Insurance				Unemployment Repayment	
	Maximum earnings base [3]		Tax rate (percent) [3]			Maximum monthly taxable earnings	Employer tax rate [5] (percent)	Surcharge or (pooled credit)	New employer tax rate (percent)	Tax [4]	
			Tier 1		Tier 2					Maximum taxable earnings	Employer tax rate (percent)
	Tier 1 [7]	Tier 2	Employer & employee each	Employer	Employee						
1991	53,400	39,600	7.65	16.1	4.9	765	5.55 - 12.0	...	8.00	765	4.0
1992	55,500	41,400	7.65	16.1	4.9	785	3.10 - 12.0	(3.12)	8.00	785	4.0
1993	57,600	42,900	7.65	16.1	4.9	810	0.65 - 12.0	(5.31)	7.30	810	4.0
1994	60,600	45,000	7.65	16.1	4.9	840	0.65 - 12.0	(0.22)	6.06		
1995	61,200	45,300	7.65	16.1	4.9	850	0.65 - 12.0	...	4.15		
1996	62,700	46,500	7.65	16.1	4.9	865	0.65 - 12.0	...	2.31		
1997	65,400	48,600	7.65	16.1	4.9	890	0.65 - 12.0	...	1.16		
1998	68,400	50,700	7.65	16.1	4.9	925	2.15 - 12.0	1.5	0.85		
1999	72,600	53,700	7.65	16.1	4.9	970	2.15 - 12.0	1.5	0.92		
2000	76,200	56,700	7.65	16.1	4.9	1,005	0.65 - 12.0	...	1.67		
2001	80,400	59,700	7.65	16.1	4.9	1,050	2.15 - 12.0	1.5	2.59		
2002	84,900	63,000	7.65	15.6	4.9	1,100	3.15 - 12.0	2.5	2.71		
2003	87,000	64,500	7.65	14.2	4.9	1,120	3.15 - 12.0	2.5	2.36		
2004	87,900	65,100	7.65	13.1	4.9	1,130	2.15 - 12.0	1.5	2.38		
2005	90,000	66,900	7.65	[8]	[8]	1,150	2.15 - 12.0	1.5	3.43		
2006 and later	[2]	[2]	7.65	[8]	[8]	[2]	[5]	[5]	[5]		

1 Before tax credit. Employees received a credit of 0.3 percent in 1984. The self-employed received a credit of 2.7 percent in 1984, 2.3 percent in 1985 and 2.0 percent in 1986-89.

2 Based on automatic adjustments in proportion to increases in average earnings levels.

3 Earnings bases are monthly through 1984 and annual for 1985 and later. October 1, 1973 was the effective date for the allocation of railroad retirement taxes by tiers, subject to a moratorium for certain railroad labor organizations. The tier 1 tax rate was set equal to the current social security tax rate.

4 This temporary tax applied to employers until all pre-October 1985 loans from the Railroad Retirement Account were fully repaid with interest on June 29, 1993. Earnings bases are annual through 1988 and monthly for 1989-1993.

5 Taxes are paid only by employer. From 1948 through 1988, the rate for a calendar year was based on a graduated schedule depending on the preceding September 30 account balance (including administration fund). Except for certain commuter railroads, the rate for 1989-1990 was fixed at 8.0 percent. Beginning in 1991, each employer's rate is experience-based, with a minimum of 0.65 percent and a maximum of 12 percent, or 12.5 percent if a 3.5 percent surcharge applies due to a low account balance.

6 Taxes are paid only by employers. The supplemental annuity tax was repealed for calendar years after 2001.

7 Beginning in 1991, the portion of the tier 1 tax rate which does not exceed the social security HI tax rate is applied to earnings up to the HI maximum taxable amount. In 1993, a 1.45 percent tax applied to earnings up to \$135,000 and a 6.2 percent tax applied to earnings up to \$57,600.

8 Beginning in 2004, the tier 2 tax rate will be determined annually from a tax rate schedule based on the average account benefits ratio. The average account benefits ratio is the average for the 10 fiscal years preceding the calendar year of the ratio of the fair market value of the assets in the Railroad Retirement Account and the National Railroad Retirement Investment Trust as of the close of each fiscal year to the total benefits and administrative expenses paid from those accounts during the fiscal year. Employer tax rates can range from 8.2 percent to 22.1 percent. Employee tax rates can range from 0 percent to 4.9 percent.

RCAF Unemployment Insurance Tax

	<u>Unemployment Ins.</u>			RRB	Factor	Avg. Ann.	Un. Ins.
	<u>Tax</u>	<u>Earnings</u>	Hourly	Sample	To Update	<u>Taxable</u>	<u>Hourly</u>
	<u>Rate</u>	<u>Base</u>	<u>Earnings</u>	<u>Year</u>	<u>RRB Sample</u>	<u>Earnings</u>	<u>Rate</u>
			\$24.662	(1999)			
2000 Avg.	0.79%	\$12,060	\$26.031		1.055511	\$11,480.03	\$0.051
4Q/01	2.15%	\$12,600	\$26.701		1.082678	\$11,987.52	\$0.145
1Q/02	3.81%	\$13,200	\$26.790		1.086287	\$12,542.24	\$0.269
2Q/02	3.81%	\$13,200	\$26.820		1.087503	\$12,542.66	\$0.269
3Q/02	3.81%	\$13,200	\$26.788		1.086205	\$12,542.21	\$0.269
			\$26.031	(2000)			
2001 Avg.	2.15%	\$12,600	\$26.887		1.032884	\$11,872.57	\$0.144
4Q/02	3.81%	\$13,200	\$27.525		1.057393	\$12,427.48	\$0.267
1Q/03	4.55%	\$13,440	\$27.797		1.067842	\$12,649.60	\$0.325
2Q/03	4.55%	\$13,440	\$27.885		1.071223	\$12,651.08	\$0.325
3Q/03	4.55%	\$13,440	\$28.306		1.087396	\$12,658.07	\$0.325
			\$26.887	(2001)			
2002 Avg.	3.81%	\$13,200	\$27.258		1.013798	\$12,454.56	\$0.266
4Q/03	4.61%	\$13,440	\$28.088		1.044668	\$12,685.46	\$0.328
1Q/04	2.88%	\$13,560	\$28.090		1.044743	\$12,795.43	\$0.207
2Q/04	2.88%	\$13,560	\$28.478		1.059174	\$12,800.56	\$0.207
3Q/04	2.88%	\$13,560	\$28.760		1.069662	\$12,804.24	\$0.207
			\$27.258	(2002)			
2003 Avg.	4.61%	\$13,440	\$27.952		1.025460	\$12,566.01	\$0.322
4Q/04	2.88%	\$13,560	\$28.834		1.057818	\$12,688.80	\$0.203
1Q/05	2.28%	\$13,800	\$29.332		1.076088	\$12,913.18	\$0.164
2Q/05					--		--
3Q/05					--		--

Note: Average Annual Taxable Earnings is calculated from the RRB 1% sample data, by multiplying the average annual earnings in the file times the "Factor", and limiting the amount to the earnings base. Thus, the annual hourly earnings used for the calculation of the Factor is for the RRB sample year, and the Factor brings the earnings in the RRB 1% sample file to the current quarter's level.

The MEANS Procedure

Variable	N	Sum	Mean
ANUAL_US	2762	34707308.10	12566.01
QTRLY_US	2762	35666196.64	12913.18

The SAS System
Factors and Caps 2003 and 2005Q1

The MEANS Procedure

Variable	N	Sum	Mean
FactorA	2762	2832.32	1.0254600
FactorQ	2762	2972.16	1.0760880
Capa	2762	37121280.00	13440.00
Capq	2762	38115600.00	13800.00

DWP IBEW

ARTICLE V - 401 K

On or before June 1, 2000, the company will establish an Employee Savings Plan designed and intended to operate in conformity with Section 401(k) of the Internal Revenue Code, as amended. The Plan will be available to active employees and employees in furlough status and will conform to the principles contained in Attachment C to this document. Except for changes in the Plan mandated by subsequent change in the Internal Revenue Code, the parties to this Agreement will not serve nor progress any notice or proposal for changing the specific provisions of Attachment C hereto.

ARTICLE VI - HEALTH AND WELFARE.

The parties will adopt the provisions of the national settlement dated September 16, 1996 covering health and welfare issues, for dental care, vision care and health care benefits. The parties agree to adopt cost sharing provisions in national handling to the extent that employee contributions shall equal but not exceed the year to year cost sharing provisions agreed to in national handling through 2003. If the employee cost sharing contribution for Health and Welfare has not already been deducted from cost-of-living-allowances, the contribution shall be deducted from the retroactive payments provided in Article I. If employee cost sharing contributions for Health and Welfare are applicable after March 1, 2000, the contributions shall be spread over the years in equal payments to the extent practicable. These employee cost sharing provisions shall not extend beyond December 31, 2003, except by mutual agreement.

MEMORANDUM OF AGREEMENT
BETWEEN THE
SOO LINE RAILROAD COMPANY
AND THE
TRANSPORTATION COMMUNICATIONS UNION

ARTICLE I – WAGES

Section 1 - First General Wage Increase

On June 30, 2002, all daily rates of pay in effect on the preceding day for employees covered by this Agreement shall be increased in the amount of two-and-one-half (2-1/2) percent applied so as to give effect to this increase in pay irrespective of the method of payment.

Application of Wage Increases

(a) **Daily Rates -**

Add 2-1/2 percent to the existing daily rates of pay

(b) **Disposition of Fractions -**

Rates of pay resulting from application of paragraph (a) above, which end in fractions of a cent shall be rounded to the nearest whole cent, fractions less than one-half cent shall be dropped, and fractions of one-half cent or more shall be increased to the nearest full cent.

(c) **Application of Wage Increase -**

The increase in wages provided for in this Section 1 shall be applied in accordance with the wage or working conditions agreement in effect between Soo and TCU. Special allowances not included in rates of pay for all services rendered, will not be increased. Overtime hours will be computed in accordance with Soo schedules for all overtime hours paid for.

Section 2 - Second General Wage Increase

Effective August 1, 2002, rates of pay in effect on June 30, 2002 for employees covered by this Agreement shall be increased in the amount of three-and-one-half (3-1/2) percent applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 2 shall be applied in the same manner as provided for in Section 1 hereof.

Section 3 - Third General Wage Increase

Effective July 1, 2003, rates of pay in effect on June 30, 2003 for employees covered by this Agreement shall be increased in the amount of three (3) percent applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 3 shall be applied in the same manner as provided for in Section 1 hereof.

Section 4 - Fourth General Wage Increase

Effective July 1, 2004, rates of pay in effect on June 30, 2004 for employees covered by this Agreement shall be increased in the amount of three-and-one-quarter (3-1/4) percent applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 4 shall be applied in the same manner as provided for in Section 1 hereof.

ARTICLE II - COST-OF-LIVING ALLOWANCE**Part A - Cost-of-Living Payments Under August 6, 1999 Agreement**

On October 1, 2001, twenty-seven (27) cents-per-hour of the cost-of-living allowance payable pursuant to Article II, Part B of the November 1, 1997 Agreement between Soo and TCU shall be rolled into basic rates of pay. Article II, Part B shall be eliminated effective June 30, 2002.

Cost-of-living allowance payments made to employees for periods on or before June 30, 2002 shall be retained. Any cost-of-living allowance payments made to employees for periods on and after July 1, 2002 shall be

Initialed Copy

recovered from any retroactive wage increase payments made under Article I.

Part B - Cost-of-Living Allowance and Adjustments Thereto After January 1, 2005

Section 1 - Cost-of-Living Allowance and Effective Dates of Adjustments

- (a) A cost-of-living allowance shall be payable in the manner set forth in and subject to the provisions of this Part, on the basis of the "Consumer Price Index for Urban Wage Earners and Clerical Workers (Revised Series) (CPI-W)" (1967=100), U.S. Index, all items - unadjusted, as published by the Bureau of Labor Statistics, U.S. Department of Labor, and hereinafter referred to as the CPI. The first such cost-of-living allowance shall be payable effective July 1, 2005 based, subject to paragraph (b), on the CPI for March 2005 as compared with the CPI for September 2004. Such allowance, and further cost-of-living adjustments thereto which shall become effective as described below, shall be based on the change in the CPI during the respective measurement periods shown in the following table, subject to the exception provided in paragraph (b)(iii), according to the formula set forth in paragraph (c).

<u>Measurement Periods</u>		
<u>Base Month</u>	<u>Measurement Month</u>	<u>Effective Date of Adjustment</u>
September 2004	March 2005	July 1, 2005
March 2005	September 2005	January 1, 2006

Measurement Periods and Effective Dates conforming to the above schedule shall be applicable to periods subsequent to those specified above during which this Article is in effect.

- (b) (i) Cap. In calculations under paragraph (c), the maximum increase in the CPI that shall be taken into account shall be as follows:

Initialed Copy

revocation that the employee and/or his dependents would have been covered but for the Opt-Out-Election the employee had previously made) for medical benefits under the Plan.

The following events are the events referred to in the immediately preceding paragraph:

- (1) the employee loses eligibility under, or there is a termination of employer contributions for, the other coverage that allowed the employee to make the Opt-Out Election, or
- (2) if COBRA was the source of such other coverage, that COBRA coverage is exhausted.

Part B – Employee Cost Sharing of Plan Cost Increases

Section 1 – Employee Cost-Sharing Contributions

- (a) Effective July 1, 2001, each employee covered by this Agreement shall contribute \$33.39 per month to the Plan for each month that Soo is required to provide medical benefits coverage for himself and/or his eligible dependents under the Plan, except as provided in Side Letter No. 12.
- (b) Effective July 1, 2002, the per month employee cost-sharing contribution amount set forth in subsection (a) shall be changed to \$81.18.
- (c) Effective July 1, 2003, the per month employee cost-sharing contribution amount set forth in subsection (b) shall be changed to \$79.74.
- (d) Effective July 1, 2004, the per month employee cost-sharing contribution amount set forth in subsection (c) shall be changed to \$91.32.
- (e) Effective January 1, 2005, the per month employee cost-sharing contribution amount will be based on the new option chosen by the

MEMORANDUM OF AGREEMENT
BETWEEN THE
SOO LINE RAILROAD COMPANY
AND THE
BROTHERHOOD OF RAILWAY CARMEN –
DIVISION OF TCU

ARTICLE I – WAGES

Section 1 - First General Wage Increase

On June 30, 2002, all hourly and monthly rates of pay in effect on the preceding day for employees covered by this Agreement shall be increased in the amount of two-and-one-half (2-1/2) percent applied so as to give effect to this increase in pay irrespective of the method of payment.

Application of Wage Increases

(a) **Hourly Rates -**

Add 2-1/2 percent to the existing hourly rates of pay

(b) **Disposition of Fractions -**

Rates of pay resulting from application of paragraph (a) above, which end in fractions of a cent shall be rounded to the nearest whole cent, fractions less than one-half cent shall be dropped, and fractions of one-half cent or more shall be increased to the nearest full cent.

(c) **Application of Wage Increase -**

The increase in wages provided for in this Section 1 shall be applied in accordance with the wage or working conditions agreement in effect between Soo and BRC. Special allowances not included in fixed hourly, or monthly rates of pay for all services rendered, will not be increased. Overtime hours will be computed in accordance with Soo schedules for all overtime hours paid for.

Section 2 - Second General Wage Increase

Effective August 1, 2002, all hourly and monthly rates of pay in effect on June 30, 2002 for employees covered by this Agreement shall be increased in the amount of three-and-one-half (3-1/2) percent applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 2 shall be applied in the same manner as provided for in Section 1 hereof.

Section 3 - Third General Wage Increase

Effective July 1, 2003, all hourly and monthly rates of pay in effect on June 30, 2003 for employees covered by this Agreement shall be increased in the amount of three (3) percent applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 3 shall be applied in the same manner as provided for in Section 1 hereof.

Section 4 - Fourth General Wage Increase

Effective July 1, 2004, all hourly and monthly rates of pay in effect on June 30, 2004 for employees covered by this Agreement shall be increased in the amount of three-and-one-quarter (3-1/4) percent applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 4 shall be applied in the same manner as provided for in Section 1 hereof.

ARTICLE II - COST-OF-LIVING ALLOWANCE**Part A - Cost-of-Living Payments Under the November 1, 1997 Agreement**

On October 1, 2001, twenty-seven (27) cents-per-hour of the cost-of-living allowance payable pursuant to Article II, Part B of the July 18, 1997 Agreement between Soo and BRC shall be rolled into basic rates of pay. Article II, Part B shall be eliminated effective June 30, 2002.

Cost-of-living allowance payments made to employees for periods on or before June 30, 2002 shall be retained. Any cost-of-living allowance payments made to employees for periods on and after July 1, 2002 shall be recovered from any retroactive wage increase payments made under Article I.

Part B - Cost-of-Living Allowance and Adjustments Thereto After January 1, 2005

Section 1 - Cost-of-Living Allowance and Effective Dates of Adjustments

- (a) A cost-of-living allowance shall be payable in the manner set forth in and subject to the provisions of this Part, on the basis of the "Consumer Price Index for Urban Wage Earners and Clerical Workers (Revised Series) (CPI-W)" (1967=100), U.S. Index, all items - unadjusted, as published by the Bureau of Labor Statistics, U.S. Department of Labor, and hereinafter referred to as the CPI. The first such cost-of-living allowance shall be payable effective July 1, 2005 based, subject to paragraph (b), on the CPI for March 2005 as compared with the CPI for September 2004. Such allowance, and further cost-of-living adjustments thereto which shall become effective as described below, shall be based on the change in the CPI during the respective measurement periods shown in the following table, subject to the exception provided in paragraph (b)(iii), according to the formula set forth in paragraph (c).

<u>Measurement Periods</u>		<u>Effective Date of Adjustment</u>
<u>Base Month</u>	<u>Measurement Month</u>	
September 2004	March 2005	July 1, 2005
March 2005	September 2005	January 1, 2006

Measurement Periods and Effective Dates conforming to the above schedule shall be applicable to periods subsequent to those specified above during which this Article is in effect.

revocation that the employee and/or his dependents would have been covered but for the Opt-Out-Election the employee had previously made) for medical benefits under the Plan.

The following events are the events referred to in the immediately preceding paragraph:

- (1) the employee loses eligibility under, or there is a termination of employer contributions for, the other coverage that allowed the employee to make the Opt-Out Election, or
- (2) if COBRA was the source of such other coverage, that COBRA coverage is exhausted.

Part B – Employee Cost Sharing of Plan Cost Increases

Section 1 – Employee Cost-Sharing Contributions

- (a) Effective July 1, 2001, each employee covered by this Agreement shall contribute \$33.39 per month to the Plan for each month that Soo is required to provide medical benefits coverage for himself and/or his eligible dependents under the Plan, except as provided in Side Letter No. 12.
- (b) Effective July 1, 2002, the per month employee cost-sharing contribution amount set forth in subsection (a) shall be changed to \$81.18.
- (c) Effective July 1, 2003, the per month employee cost-sharing contribution amount set forth in subsection (b) shall be changed to \$79.74.
- (d) Effective July 1, 2004, the per month employee cost-sharing contribution amount set forth in subsection (c) shall be changed to \$91.32.
- (e) Effective January 1, 2005, the per month employee cost-sharing contribution amount will be based on the new option chosen by the

Health and Welfare

	Employees Receiving		Total 2003	Total 2005
	Pay 2003	Contribution 2003 2005		
1. All Employees				
a. Group health	162,491	\$875.93 \$948.19	142,330,741.63	154,072,341.29
b. Group dental	162,491	52.20 47.20	8,482,030.20	7,669,575.20
c. Early retirement major medical	162,491	65.73 90.57	10,680,533.43	14,716,809.87
d. Group vision	162,491	8.61 10.84	1,399,047.51	1,761,402.44
2. Suppl. Sickness				
a. Signalmen	6,182	31.75 32.00	196,278.50	197,824.00
b. Shopcrafts	24,405	47.50 61.00	1,159,237.50	1,488,705.00
c. MOW	25,190	39.25 36.00	988,707.50	906,840.00
d. Yardmasters	2,387	31.33 44.48	74,784.71	106,173.76
3. Short-Term Disability (began 7/1/04)				
a. Engineers (CSX, KCS, UP)	13,845	0.00 40.00	0.00	553,800.00
4. Monthly Total Premiums			\$165,311,360.98	\$181,473,471.56
5. Monthly Employee Contributions To H&W				
a. TCU (BNSF, CSX, GTW, KCS, NS, UP)	10,795	(\$91.42)		(\$986,878.90)
b. TCU-BRC (BNSF, CSX, KCS, NS, UP)	9,973	(\$91.42)		(911,731.66)
c. Indep.\$25 Group (various CN)	2,076	(\$25.00)		(51,900.00)
d. BRS (BNSF, CSX, KCS, NS, SOO, UP)	5,890	(\$100.00)		(589,000.00)
e. UTU (BNSF, CC, CSX, DWP, GTW, IC, KCS, NS, SOO, UP)	39,231	(\$100.00)		(3,923,100.00)
f. UTU-YMD (BNSF, CSX, GTW, KCS, NS)	1,756	(\$100.00)		(175,600.00)
g. BLE (BNSF, CSX, GTW, KCS, NS, UP)	24,571	(\$91.42)		(2,246,280.82)
h. Indep. ATDA (CSX, NS, SOO)	1,006	(\$91.42)		(91,968.52)
i. Indep. ATDA (BNSF)	695	(\$91.32)		(63,467.40)
j. IBEW (BNSF, CSX, GTW, KCS, NS, UP)	4,701	(\$100.00)		(470,100.00)
k. Indep. TCU & TCU-CAR (SOO)	230	(\$100.00)		(23,000.00)
Total	100,924			(\$9,533,027.30)
6. Net Employer Payments			\$165,311,360.98	\$171,963,444.26
7. Ratio Projected Year to Base Year, Based on Net Monthly Payments				1.04024
8. H&W hourly rate for base year (excludes employee cost sharing payments)			\$4.922	
9. H&W hourly rate for projected quarter				\$5.120

Sources:

Employee counts are from the 2003 112-Class Wage Statistics.

Health & Welfare monthly premiums per employee are from the National Railway Labor Conference or contracts.

Employee monthly contribution rates are specified in the union contracts.

H&W hourly rate for base year benchmark is in SUPPL2003.XLS, and based on annual report and wage data.

H&W hourly rate for projected year is the benchmark figure updated by the ratio of projected year to base year.

Health and Welfare

Employer H&W Contribution

		2003 Pd. Employees
Supplemental Sickness Plan:		
a. Signalmen	BRS	6,182
b. Shopcrafts	Total	24,405
	IBEW	4,921
	IBBM	1,020
	TCU-Car	10,821
	IAM	6,588
	SMW	1,055
c. MOW	BMWE	25,190
d. Yardmasters	UTU-YMD	2,387

Short-Term Disability Contribution:

a. Engineers	Total BLE	13,845
	CSX	5,514
	KCS	519
	UP	7,812

Employee H&W Cost Sharing

Group	Railroads	Contract Source
a. TCU	BNSF, CSX, KCS, NS, UP	Article III Part B Section 1 (d)
	GTW	Article VIII
b. TCU-Carmen	BNSF, CSX, KCS, NS, UP	Article III Part B Section 1 (d)
c. Independent \$25		
BMWE	IC	Article III
BRS, IBBM, IBEW, NCFO	IC	Article III (a)
TCU, TCU-Car, SMW	IC	Article III (a)
BLE	IC and CC&P	Article 22 Section 1 and Attachment A
TCU-Car	GTW	Article V (a)
d. BRS	BNSF, CSX, KCS, NS, UP	Article III Part B Section 1 (d)
	SOO	Article III Part B Section 1 (d) & Soo
e. UTU	BNSF, CSX, KCS, NS, UP	Article IV Part B Section 1 (b)
	CC&P and IC	Article 22 Section 1
	DW&P (including engineers)	Article 23 Section 1
	GTW	Article II
	SOO	Article III Part B Section 1 (b)
f. UTU-YDM	BNSF, KCS, NS	Article IV Part B Section 1 (b)
	CSX	Side Letter #1
	GTW	Side Letter #3
g. BLE	CSX, KCS, UP	Article IV Part B Section 1 (d)
	BNSF	Article III Part B Section 1 (d)
	GTW	Per CN Labor Relations
	NS	Article IX Sections 2 & 3
h. Independent ATDA	CSX	Section III Part B Section 1 (d)
ATDA	NS	Appendex A Part B Section 1 (d)
	SOO	Article III Part B Section 1 (d) & Soo
i. Independent ATDA	BNSF	Article III Part B Section 1 (a)
j. IBEW	BNSF, CSX, KCS, NS, UP	Article IV Part B Section 1, per Glen Williams of NRLC
	GTW	Article IV
k. Indep. TCU & TCU-CAR	SOO	Article III Part B Section 1 (e)

Note: DW&P's engineers, which are typically represented by the BLE, are represented by the UTU.

NATIONAL RAILWAY LABOR CONFERENCE

EMPLOYEE BENEFITS DEPARTMENT

1901 L STREET, N.W., WASHINGTON, D.C. 20036-3514 ♦♦♦♦ PHONE: (202) 862-7200 FAX: (202) 862-7253

JOSEPH EPSTEIN
Director Employee Benefits
(202) 862-7244
E-mail: jepstein@rrnrlc.org

SUSAN E. PARKS, CEBS
Benefits Administrator
(202) 862-7225
E-mail: sparks@rrnrlc.org

November 23, 2004

Mr. Clyde Crimmel
Director Statistical Information
Policy & Communications Department
AAR-5th Floor
50 F Street N.W.
Washington, D.C. 20009

Dear Mr. Crimmel:

The revised employer Payment Rates which are effective January 1, 2005 are as follows:

UNUMProvident - Supplemental Sickness Plans	
ShopCrafts	\$ 61.00
Signalmen	\$ 32.00
Maintenance of Way	\$ 36.00
Trustmark - Supplemental Sickness Plans	
Yardmasters	\$ 44.48
Railroad Employees National Health & Welfare Plan & National Railway Carriers/United Transportation Union H&W Plan	
Non-Hospital Road	\$948.19
Railroad Employees National Early Retirement Major Medical Benefit Plan	
Non-Hospital Road	\$ 90.57
Aetna - National Dental Plan	\$ 47.20
VSP - National Vision Plan	\$ 10.84

If you have any questions or need clarification, please contact me.

Very truly yours,



Susan E. Parks

cc: Glen Williams

NATIONAL RAILWAY LABOR CONFERENCE

EMPLOYEE BENEFITS DEPARTMENT

1901 L STREET, N.W., WASHINGTON, D.C. 20036-3514 ♦♦♦♦ PHONE: (202) 862-7200 FAX: (202) 862-7253

JOSEPH EPSTEIN
Director Employee Benefits
(202) 862-7244
E-mail: jepstein@nrlc.org

SUSAN E. PARKS, CEBS
Benefits Administrator
(202) 862-7225
E-mail: sparkes@nrlc.org

November 14, 2002

Mr. Clyde Crimmel
Director Statistical Information
Policy & Communications Department
AAR-5th Floor
50 F Street N.W.
Washington, D.C. 20009

Dear Mr. Crimmel:

The revised employer Payment Rates which are effective January 1, 2003 are as follows:

UNUMProvident - Supplemental Sickness Plans	
ShopCrafts	\$ 47.50
Signalmen	\$ 31.75
Maintenance of Way	\$ 39.25
Trustmark - Supplemental Sickness Plans	
Yardmasters	\$ 31.33
Railroad Employees National Health & Welfare Plan & National Railway Carriers/United Transportation Union H&W Plan	
Non-Hospital Road	\$875.93
Railroad Employees National Early Retirement Major Medical Benefit Plan	
Non-Hospital Road	\$ 65.73
Aetna - National Dental Plan	\$ 52.20
VSP - National Vision Plan	\$ 8.61

If you have any questions or need clarification, please contact me.

Very truly yours,



Susan E. Parks

cc: Carol Kearns

TOTAL P.02

Nat. BLE
Fringe Benefits

(i) Each of the Plan design changes contained in this Section shall be implemented as soon as practicable except as otherwise provided.

Section 5 - Short-Term Disability

(a) During each month beginning with the month of July, 2004, the carrier shall remit to the BLE's insured short-term disability plan ("STD Plan") the sum of \$40.00 (as provided in Article I, Section 5(b)) on a pre-tax basis with respect to each employee covered by this Agreement for whom the carrier is required to make a payment to the Railroad Employees National Health and Welfare Plan or to the new health and welfare plan described in Part C of this Article during the same month for foreign-to-occupation health care benefits.

(b) For carriers not covered by Article I, Section 5(b), carrier payment arrangements (if any) with respect to the STD Plan shall be governed by such terms as may be agreed to by the parties.

Part B - Employee Cost Sharing of Plan Cost Increases

Section 1 - Employee Cost-Sharing Contributions

(a) Effective July 1, 2001, each employee covered by this Agreement shall contribute \$33.39 per month to the Plan for each month that his employer is required to make a contribution to the Plan on his behalf for foreign-to-occupation health benefits coverage for himself and/or his dependents.

(b) Effective July 1, 2002, the per month employee cost-sharing contribution amount set forth in subsection (a) shall be changed to \$81.18.

(c) Effective July 1, 2003, the per month employee cost-sharing contribution amount set forth in subsection (b) shall be changed to \$79.74.

- (b) Effective July 1, 2004, the per month employee cost-sharing contribution amount set forth in subsection (a) shall be changed to \$100.00.
- (c) Effective July 1, 2005, the per month employee cost-sharing contribution amount set forth in subsection (b) shall be increased by the lesser of (x) one-half of the increase, if any, in the carriers' 2005 monthly payment rate over such payment rate for 2004, and (y) one-half of the cost-of-living allowance effective July 1, 2005, pursuant to Article II, Part B, Section 1(a), multiplied by one-twelfth of the average straight-time equivalent hours ("ASTE Hours") for calendar year 2003.
- (d) Effective January 1, 2006, the per month employee cost-sharing contribution amount in effect on December 31, 2005, shall be increased by the lesser of (x) the sum of (i) one-half of the increase, if any, in the carriers' 2006 monthly payment rate over such payment rate for 2005, plus (ii) the amount (if any) by which the number described in part (x) of subsection (c) of this Section exceeds the product described in part (y) of such subsection (c), and (y) one-half of the cost-of-living allowance effective January 1, 2006, pursuant to Article II, Part B, Section 1(a), multiplied by one-twelfth of the ASTE Hours for calendar year 2004.
- (e) Effective July 1, 2006, the per month employee cost-sharing contribution amount in effect June 30, 2006, shall be increased by the lesser of (x) the amount (if any) by which the number described in part (x) of subsection (d) of this Section exceeds the product described in part (y) of such subsection (d), and (y) one-half of the cost-of-living allowance effective July 1, 2006, pursuant to Article II, Part B, Section 1(a), multiplied by one-twelfth of the ASTE Hours for calendar year 2004.
- (f) Effective January 1, 2007, the per month employee cost-sharing contribution amount in effect on December 31, 2006, shall be increased by the lesser of (x) the sum of (i) one-half of the increase, if any, in the carriers' 2007 monthly payment rate over such payment rate for 2006, plus (ii) the amount (if any) by which the number described in part (y) of such subsection (e), and (y) one-half of the cost-of-living allowance effective January 1, 2007, pursuant to Article

Wat IBEW

(d) Effective July 1, 2004, the per month employee cost-sharing contribution amount set forth in subsection (c) shall be increased by the lesser of (x) thirty (30) percent of the increase, if any, in the carriers' 2004 monthly payment rate over such payment rate for 2003, and (y) \$8.62.

(e) Effective July 1, 2005, the per month employee cost-sharing contribution amount set forth in subsection (d) shall be increased by the lesser of (x) one-half of the increase, if any, in the carriers' 2005 monthly payment rate over such payment rate for 2004, and (y) one-half of the cost-of-living allowance effective July 1, 2005 pursuant to Article III, Part B, Section 1(a), multiplied by one-twelfth of the average straight-time equivalent hours ("ASTE Hours") for calendar year 2003.

(f) Effective January 1, 2006, the per month employee cost-sharing contribution amount in effect on December 31, 2005 shall be increased by the lesser of (x) the sum of (i) one-half of the increase, if any, in the carriers' 2006 monthly payment rate over such payment rate for 2005, plus (ii) the amount (if any) by which the number described in part (x) of subsection (e) of this Section exceeds the product described in part (y) of such subsection (e), and (y) one-half of the cost-of-living allowance effective January 1, 2006 pursuant to Article III, Part B, Section 1(a), multiplied by one-twelfth of the ASTE Hours for calendar year 2004.

(g) Effective July 1, 2006, the per month employee cost-sharing contribution amount in effect on June 30, 2006 shall be increased by the lesser of (x) the amount (if any) by which the number described in part (x) of subsection (f) of this Section exceeds the product described in part (y) of such subsection (f), and (y) one-half of the cost-of-living allowance effective July 1, 2006 pursuant to Article III, Part B, Section 1(a), multiplied by one-twelfth of the ASTE Hours for calendar year 2004.

(h) Effective January 1, 2007, the per month employee cost-sharing contribution amount in effect on December 31, 2006 shall be increased by the lesser of (x) the sum of (i) one-half of the increase, if any, in the carriers'

NATIONAL RAILWAY LABOR CONFERENCE**ECONOMIC RESEARCH DEPARTMENT**

1901 L STREET, N.W., WASHINGTON, D.C. 20036-3514 • • PHONE: (202) 862-7200 FAX: (202) 862-7253

H. GLEN WILLIAMS Jr.
Director Economic Research
(202) 862-7232
gwilliams@nrlc.org

November 23, 2004

July 1, 2004 Health and Welfare Contributions
Under 2000 Round National Agreements
IBEW

CIRCULAR NO. 504-101-2 (H&W)
CIRCULAR NO. 840-9 (IBEW)

TO MEMBER ROADS:

The 2000 Round National Agreement with the above-referenced organization provides for employee cost-sharing contributions to be adjusted on July 1, 2004. The applicable National Agreement section and the entire amount of the monthly contribution effective July 1, 2004 are as follows:

Organization	2000 Round National Agreement Reference	Monthly Contribution
IBEW	Article IV, Part B, Sect. 1 (d)	\$100.00

H. Glen Williams, Jr.

GTW IBEW

care, the National Off-Track Vehicle Plan, Supplemental Sickness Plan, National Job Stabilization Plan and National Time-Off With Pay Agreements, such as vacation, holiday and personal leave.

They shall participate in the above stated National Plans and/or Agreements on a basis equivalent to agreements and understandings reached nationally between the IBEW and carriers represented by the NCCC in the bargaining which occurs as a result of the expiration of the moratorium contained in the September 16, 1996 IBEW National Agreement. With respect to employee cost sharing provisions, the parties agree that the employee cost sharing will equal the dollar amount contributed under the national agreement.

ARTICLE VI - SAVINGS CLAUSE

All rules, agreements, provisions, conditions or practices, however established, which may conflict with this agreement are superseded by the provisions of this agreement. The parties exchanged various proposals antecedent to adoption of various Articles that appear in this agreement. It is our mutual understanding that none of such antecedent proposals and drafts will be used by any party for any purpose and that the provisions of this agreement will be interpreted and applied as though such proposals and drafts had not been used or exchanged in the negotiation.

revocation that the employee and/or his dependents would have been covered but for the Opt-Out-Election the employee had previously made) for medical benefits under the Plan.

The following events are the events referred to in the immediately preceding paragraph:

- (1) the employee loses eligibility under, or there is a termination of employer contributions for, the other coverage that allowed the employee to make the Opt-Out Election, or
- (2) if COBRA was the source of such other coverage, that COBRA coverage is exhausted.

Part B – Employee Cost Sharing of Plan Cost Increases

Section 1 – Employee Cost-Sharing Contributions

- (a) Effective July 1, 2001, each employee covered by this Agreement shall contribute \$33.39 per month to the Plan for each month that Soo is required to provide medical benefits coverage for himself and/or his eligible dependents under the Plan, except as provided in Side Letter No. 12.
- (b) Effective July 1, 2002, the per month employee cost-sharing contribution amount set forth in subsection (a) shall be changed to \$81.18.
- (c) Effective July 1, 2003, the per month employee cost-sharing contribution amount set forth in subsection (b) shall be changed to \$79.74.
- (d) Effective July 1, 2004, the per month employee cost-sharing contribution amount set forth in subsection (c) shall be changed to \$91.32.
- (e) Effective January 1, 2005, the per month employee cost-sharing contribution amount will be based on the new option chosen by the

The following events are the events referred to in the immediately preceding paragraph:

- (1) the employee loses eligibility under, or there is a termination of employer contributions for, the other coverage that allowed the employee to make the Opt-Out Election, or
- (2) if COBRA was the source of such other coverage, that COBRA coverage is exhausted.

Part B – Employee Cost Sharing of Plan Cost Increases

Section 1 – Employee Cost-Sharing Contributions

- (a) Effective July 1, 2001, each employee covered by this Agreement shall contribute \$33.39 per month to the Plan for each month that Soo is required to provide medical benefits coverage for himself and/or his eligible dependents under the Plan, except as provided in Side Letter No. 12.
- (b) Effective July 1, 2002, the per month employee cost-sharing contribution amount set forth in subsection (a) shall be changed to \$81.18.
- (c) Effective July 1, 2003, the per month employee cost-sharing contribution amount set forth in subsection (b) shall be changed to \$79.74.
- (d) Effective July 1, 2004, the per month employee cost-sharing contribution amount set forth in subsection (c) shall be changed to \$91.32.
- (e) Effective January 1, 2005, the per month employee cost-sharing contribution amount will be based on the new option chosen by the employee from those listed in Appendix 1 of this Agreement (\$100/\$0). *See attached 11/24/04 e-mail from John Weiland.*
- (f) Effective July 1, 2005, the per month employee cost-sharing contribution amount set forth in subsection (e) shall be increased by

Railroad Retirement and Medicare

Employees Receiving Pay 162,491 (2003 Benchmark, 2002 RRB Distribution)
 Tier I Maximum 90,000 (Year = 2005)
 Tier II Maximum 66,900 (Year = 2005)
 Medicare Maximum no limit (Year = 2005)
 Tier I Tax Rate 6.20% (Year = 2005)
 Tier II Tax Rate 12.60% (Year = 2005)
 Medicare Tax Rate 1.45% (Year = 2005)

USA RCAF		Rate	Factor	RR Ret Tax	Hourly Rate
2002		\$27.258			
2003		\$27.952	1.02546	\$484,357,799	\$6.309
1Q/2005		\$29.332	1.07609	\$470,517,796	\$6.129
2Q/2005			0.00000	\$0	\$0.000
3Q/2005			0.00000	\$0	\$0.000
4Q/2005			0.00000	\$0	\$0.000

RR Ret Tax from RR_Retirement_03annual.xls, Hourly rate from SUPPL2003.xls
Rate = Taxable Rate

Railroad Retirement & Medicare, U.S.

Railroad Retirement & Medicare, U.S.										1Q/2005	
Annual Earnings Groups	Percent of Total Employees	Employees Receiving Pay 2003	Avg Annual Earnings (2002 RRB Stats)	Estimated Avg. Annual Earnings	Avg Qlty Earnings	1Q/2005					
						Tier I Taxable	Tier II Taxable	Medicare Taxable	Tier I Tot Tax Emgs	Tier II Tot Tax Emg	Medicare Tot Tax Emg
\$0 - 21699	0.704	1,144	\$12,306	\$13,242	\$3,311	\$3,311	\$3,311	\$3,787,098	\$3,787,098	\$3,787,098	
21700 - 23699	0.235	382	\$22,397	24,101	6,025	6,025	6,025	2,300,778	2,300,778	2,300,778	
23700 - 25699	0.235	382	\$25,078	26,986	6,747	6,747	6,747	2,576,189	2,576,189	2,576,189	
25700 - 27699	0.469	762	\$26,808	28,848	7,212	7,212	7,212	5,496,095	5,496,095	5,496,095	
27700 - 29699	0.751	1,220	\$28,673	30,855	7,714	7,714	7,714	9,413,044	9,413,044	9,413,044	
29700 - 31699	0.751	1,220	\$30,576	32,902	8,226	8,226	8,226	10,037,779	10,037,779	10,037,779	
31700 - 33699	1.220	1,982	\$32,802	35,298	8,824	8,824	8,824	17,493,518	17,493,518	17,493,518	
33700 - 35699	1.689	2,744	\$34,798	37,446	9,361	9,361	9,361	25,692,179	25,692,179	25,692,179	
35700 - 37699	2.956	4,803	\$36,756	39,553	9,888	9,888	9,888	47,495,196	47,495,196	47,495,196	
37700 - 39699	4.880	7,930	\$38,819	41,773	10,443	10,443	10,443	82,809,693	82,809,693	82,809,693	
39700 - 41699	6.664	10,828	\$40,736	43,836	10,959	10,959	10,959	118,667,114	118,667,114	118,667,114	
41700 - 43699	7.086	11,514	\$42,689	45,937	11,484	11,484	11,484	132,231,261	132,231,261	132,231,261	
43700 - 45699	5.772	9,379	\$44,698	48,099	12,025	12,025	12,025	112,779,827	112,779,827	112,779,827	
45700 - 47699	6.241	10,141	\$46,673	50,224	12,556	12,556	12,556	127,331,809	127,331,809	127,331,809	
47700 - 49699	4.176	6,786	\$48,595	52,292	13,073	13,073	13,073	88,709,286	88,709,286	88,709,286	
49700 - 51699	4.130	6,711	\$50,759	54,621	13,655	13,655	13,655	91,638,953	91,638,953	91,638,953	
51700 - 53699	4.505	7,320	\$52,639	56,844	14,161	14,161	14,161	103,661,964	103,661,964	103,661,964	
53700 - 55699	3.801	6,176	\$54,714	58,877	14,719	14,719	14,719	90,910,353	90,910,353	90,910,353	
55700 - 57699	3.191	5,185	\$56,590	60,896	15,224	15,224	15,224	78,937,525	78,937,525	78,937,525	
57700 - 59699	3.519	5,718	\$58,614	63,074	15,768	15,768	15,768	90,164,927	90,164,927	90,164,927	
59700 - 61699	3.191	5,185	\$60,669	65,285	16,321	16,321	16,321	84,627,332	84,627,332	84,627,332	
61700 - 63699	3.003	4,880	\$62,670	67,438	16,860	16,860	16,860	82,268,208	82,268,208	82,268,208	
63700 - 65699	2.675	4,347	\$64,738	69,664	17,416	17,416	17,416	75,700,731	72,697,458	75,700,731	
65700 - 67699	2.769	4,499	\$66,744	71,822	17,956	17,956	17,956	80,798,993	75,252,060	80,798,993	
67700 - 69699	2.440	3,965	\$68,697	73,924	18,481	18,481	18,481	73,273,107	66,310,952	73,273,107	
69700 - 71699	2.628	4,270	\$70,835	76,225	19,056	19,056	19,056	81,374,863	71,420,157	81,374,863	
71700 - 73699	2.393	3,898	\$72,579	78,101	19,525	19,525	19,525	75,922,533	65,033,651	75,922,533	
73700 - 75699	1.736	2,821	\$74,732	80,418	20,105	20,105	20,105	56,711,787	47,178,612	56,711,787	
75700 - 77699	1.971	3,203	\$76,681	82,515	20,629	20,629	20,629	66,068,037	53,565,118	66,068,037	
77700 - 79699	1.642	2,668	\$78,769	84,762	21,191	21,191	21,191	56,538,658	44,624,010	56,538,658	
79700 - 81699	1.267	2,059	\$80,400	86,517	21,629	21,629	21,629	44,529,690	34,432,777	44,529,690	
81700 - 83699	1.361	2,212	\$82,804	89,104	22,276	22,276	22,276	49,263,635	36,987,379	49,263,635	
83700 - 85699	1.220	1,982	\$84,859	91,316	22,829	22,829	22,829	44,603,780	33,155,476	45,255,852	
85700 - 87699	0.845	1,373	\$86,575	93,162	23,291	23,291	23,291	30,893,601	22,964,244	31,979,099	
87700 - 89699	0.751	1,220	\$88,567	95,306	23,826	23,826	23,826	27,456,917	20,409,641	29,075,613	
89700 - 91699	0.892	1,449	\$90,761	97,667	24,417	22,500	16,725	32,611,944	24,241,545	35,390,047	
91700 - 93699	0.751	1,220	\$92,717	99,772	24,943	22,500	16,725	27,456,917	20,409,641	30,439,014	
93700 - 95699	0.516	838	\$94,528	101,720	25,430	22,500	16,725	18,865,205	14,023,136	21,321,963	
95700 - over	4.974	8,082	\$121,752	131,016	32,754	22,500	16,725	181,851,803	135,176,507	264,727,400	
TOTAL	100.000000	162,491	\$57,817				Total Taxable Tax Rate	2,432,942,328 0.062	2,246,255,674 0.126	2,527,390,150 0.0145	
							Qlty Pmt	\$150,842,424	\$283,028,215	\$36,647,157	
							Tier I & II & Medicare			\$470,517,796	

**Tax Rates and Maximum Taxable Earnings Under Social Security,
Railroad Retirement and Railroad Unemployment Insurance Programs, Continued**

Period	Railroad Retirement					Railroad Unemployment Insurance				Unemployment Repayment	
	Maximum earnings		Tax rate (percent) [3]			Maximum monthly taxable earnings	Employer tax rate [5] (percent)	Surcharge or (pooled credit)	New employer tax rate (percent)	Tax [4]	
	base [3]		Tier 1		Tier 2					Maximum taxable earnings	Employer tax rate (percent)
	Tier 1 [7]	Tier 2	Employer & employee each	Employer	Employee						
1991	53,400	39,600	7.65	16.1	4.9	765	5.55 - 12.0	...	8.00	765	4.0
1992	55,500	41,400	7.65	16.1	4.9	785	3.10 - 12.0	(3.12)	8.00	785	4.0
1993	57,600	42,900	7.65	16.1	4.9	810	0.65 - 12.0	(5.31)	7.30	810	4.0
1994	60,600	45,000	7.65	16.1	4.9	840	0.65 - 12.0	(0.22)	6.06		
1995	61,200	45,300	7.65	16.1	4.9	850	0.65 - 12.0	...	4.15		
1996	62,700	46,500	7.65	16.1	4.9	865	0.65 - 12.0	...	2.31		
1997	65,400	48,600	7.65	16.1	4.9	890	0.65 - 12.0	...	1.16		
1998	68,400	50,700	7.65	16.1	4.9	925	2.15 - 12.0	1.5	0.85		
1999	72,600	53,700	7.65	16.1	4.9	970	2.15 - 12.0	1.5	0.92		
2000	76,200	56,700	7.65	16.1	4.9	1,005	0.65 - 12.0	...	1.67		
2001	80,400	59,700	7.65	16.1	4.9	1,050	2.15 - 12.0	1.5	2.59		
2002	84,900	63,000	7.65	15.6	4.9	1,100	3.15 - 12.0	2.5	2.71		
2003	87,000	64,500	7.65	14.2	4.9	1,120	3.15 - 12.0	2.5	2.36		
2004	87,900	65,100	7.65	13.1	4.9	1,130	2.15 - 12.0	1.5	2.38		
2005	90,000	66,900	7.65	[8]	[8]	1,150	2.15 - 12.0	1.5	3.43		
2006 and later	[2]	[2]	7.65	[8]	[8]	[2]	[5]	[5]	[5]		

1 Before tax credit. Employees received a credit of 0.3 percent in 1984. The self-employed received a credit of 2.7 percent in 1984, 2.3 percent in 1985 and 2.0 percent in 1986-89.

2 Based on automatic adjustments in proportion to increases in average earnings levels.

3 Earnings bases are monthly through 1984 and annual for 1985 and later. October 1, 1973 was the effective date for the allocation of railroad retirement taxes by tiers, subject to a moratorium for certain railroad labor organizations. The tier 1 tax rate was set equal to the current social security tax rate.

4 This temporary tax applied to employers until all pre-October 1985 loans from the Railroad Retirement Account were fully repaid with interest on June 29, 1993. Earnings bases are annual through 1988 and monthly for 1989-1993.

5 Taxes are paid only by employer. From 1948 through 1988, the rate for a calendar year was based on a graduated schedule depending on the preceding September 30 account balance (including administration fund). Except for certain commuter railroads, the rate for 1989-1990 was fixed at 8.0 percent. Beginning in 1991, each employer's rate is experience-based, with a minimum of 0.65 percent and a maximum of 12 percent, or 12.5 percent if a 3.5 percent surcharge applies due to a low account balance.

6 Taxes are paid only by employers. The supplemental annuity tax was repealed for calendar years after 2001.

7 Beginning in 1991, the portion of the tier 1 tax rate which does not exceed the social security HI tax rate is applied to earnings up to the HI maximum taxable amount. In 1993, a 1.45 percent tax applied to earnings up to \$135,000 and a 6.2 percent tax applied to earnings up to \$57,600.

8 Beginning in 2004, the tier 2 tax rate will be determined annually from a tax rate schedule based on the average account benefits ratio. The average account benefits ratio is the average for the 10 fiscal years preceding the calendar year of the ratio of the fair market value of the assets in the Railroad Retirement Account and the National Railroad Retirement Investment Trust as of the close of each fiscal year to the total benefits and administrative expenses paid from those accounts during the fiscal year. Employer tax rates can range from 8.2 percent to 22.1 percent. Employee tax rates can range from 0 percent to 4.9 percent.

RCAF Unemployment Insurance Tax

	<u>Unemployment Ins.</u>			RRB	Factor	Avg. Ann.	Un. Ins.
	<u>Tax</u>	<u>Earnings</u>	Hourly	Sample	To Update	<u>Taxable</u>	<u>Hourly</u>
	<u>Rate</u>	<u>Base</u>	<u>Earnings</u>	<u>Year</u>	<u>RRB Sample</u>	<u>Earnings</u>	<u>Rate</u>
			\$24.662	(1999)			
2000 Avg.	0.79%	\$12,060	\$26.031		1.055511	\$11,480.03	\$0.051
4Q/01	2.15%	\$12,600	\$26.701		1.082678	\$11,987.52	\$0.145
1Q/02	3.81%	\$13,200	\$26.790		1.086287	\$12,542.24	\$0.269
2Q/02	3.81%	\$13,200	\$26.820		1.087503	\$12,542.66	\$0.269
3Q/02	3.81%	\$13,200	\$26.788		1.086205	\$12,542.21	\$0.269
			\$26.031	(2000)			
2001 Avg.	2.15%	\$12,600	\$26.887		1.032884	\$11,872.57	\$0.144
4Q/02	3.81%	\$13,200	\$27.525		1.057393	\$12,427.48	\$0.267
1Q/03	4.55%	\$13,440	\$27.797		1.067842	\$12,649.60	\$0.325
2Q/03	4.55%	\$13,440	\$27.885		1.071223	\$12,651.08	\$0.325
3Q/03	4.55%	\$13,440	\$28.306		1.087396	\$12,658.07	\$0.325
			\$26.887	(2001)			
2002 Avg.	3.81%	\$13,200	\$27.258		1.013798	\$12,454.56	\$0.266
4Q/03	4.61%	\$13,440	\$28.088		1.044668	\$12,685.46	\$0.328
1Q/04	2.88%	\$13,560	\$28.090		1.044743	\$12,795.43	\$0.207
2Q/04	2.88%	\$13,560	\$28.478		1.059174	\$12,800.56	\$0.207
3Q/04	2.88%	\$13,560	\$28.760		1.069662	\$12,804.24	\$0.207
			\$27.258	(2002)			
2003 Avg.	4.61%	\$13,440	\$27.952		1.025460	\$12,566.01	\$0.322
4Q/04	2.88%	\$13,560	\$28.834		1.057818	\$12,688.80	\$0.203
1Q/05	2.28%	\$13,800	\$29.332		1.076088	\$12,913.18	\$0.164
2Q/05					--		--
3Q/05					--		--

Note: Average Annual Taxable Earnings is calculated from the RRB 1% sample data, by multiplying the average annual earnings in the file times the "Factor", and limiting the amount to the earnings base. Thus, the annual hourly earnings used for the calculation of the Factor is for the RRB sample year, and the Factor brings the earnings in the RRB 1% sample file to the current quarter's level.

The MEANS Procedure

Variable	N	Sum	Mean
ANUAL_US	2762	34707308.10	12566.01
QTRLY_US	2762	35666196.64	12913.18

The MEANS Procedure

Variable	N	Sum	Mean
FactorA	2762	2832.32	1.0254600
FactorQ	2762	2972.16	1.0760880
Capa	2762	37121280.00	13440.00
Capq	2762	38115600.00	13800.00

Crimmel, Clyde

From: Huddleston, Marla [Marla.Huddleston@rrb.gov]
Sent: Wednesday, December 01, 2004 12:21 PM
To: Crimmel, Clyde
Subject: RE: Unemployment Insurance Tax Rate for 2005

Clyde,

The calendar year 2005 weighted average RUIA contribution rate for the class I railroads is 2.28%. Adding the Duluth, Missabe & Iron Range Rwy and the Bessemer and Lake Erie RR raises the average to 2.29%

Marla

Marla L. Huddleston
U.S. Railroad Retirement Board
Bureau of the Actuary
E-mail: Marla.Huddleston@rrb.gov
Phone: (312) 751-4779
Fax: (312) 751-7129

-----Original Message-----

From: Crimmel, Clyde [mailto:CCrimmel@aar.org]
Sent: Wednesday, December 01, 2004 10:52 AM
To: Huddleston, Marla
Subject: RE: Unemployment Insurance Tax Rate for 2005

Marla,

Any news on the Unemployment Insurance Tax Rate? The reason I'm being so "pushy" (sorry!) is that we will use that figure in a calculation for a filing with the Surface Transportation Board that we will give to them on Friday or Monday.

Clyde

-----Original Message-----

From: Huddleston, Marla [mailto:Marla.Huddleston@rrb.gov]
Sent: Wednesday, November 24, 2004 2:10 PM
To: Crimmel, Clyde
Subject: RE: Unemployment Insurance Tax Rate for 2005

Clyde,

I should have something for you next week.

We also include Cedar River Railroad Company in CN's U.S. operations. It won't make any difference if I include or exclude them from the weighted average since they don't have any payroll.

Happy Thanksgiving.

Marla

Marla L. Huddleston
U.S. Railroad Retirement Board
Bureau of the Actuary
E-mail: Marla.Huddleston@rrb.gov
Phone: (312) 751-4779
Fax: (312) 751-7129

**Tax Rates and Maximum Taxable Earnings Under Social Security,
Railroad Retirement and Railroad Unemployment Insurance Programs, Continued**

Period	Railroad Retirement					Railroad Unemployment Insurance				Unemployment Repayment	
	Maximum earnings base [3]		Tax rate (percent) [3]			Maximum monthly taxable earnings	Employer tax rate [5] (percent)	Surcharge or (pooled credit)	New employer tax rate (percent)	Tax [4]	
			Tier 1	Tier 2						Maximum taxable earnings	Employer tax rate (percent)
	Tier 1 [7]	Tier 2	Employer & employee each	Employer	Employee						
1991	53,400	39,600	7.65	16.1	4.9	765	5.55 - 12.0	...	8.00	765	4.0
1992	55,500	41,400	7.65	16.1	4.9	785	3.10 - 12.0	(3.12)	8.00	785	4.0
1993	57,600	42,900	7.65	16.1	4.9	810	0.65 - 12.0	(5.31)	7.30	810	4.0
1994	60,600	45,000	7.65	16.1	4.9	840	0.65 - 12.0	(0.22)	6.06		
1995	61,200	45,300	7.65	16.1	4.9	850	0.65 - 12.0	...	4.15		
1996	62,700	46,500	7.65	16.1	4.9	865	0.65 - 12.0	...	2.31		
1997	65,400	48,600	7.65	16.1	4.9	890	0.65 - 12.0	...	1.16		
1998	68,400	50,700	7.65	16.1	4.9	925	2.15 - 12.0	1.5	0.85		
1999	72,600	53,700	7.65	16.1	4.9	970	2.15 - 12.0	1.5	0.92		
2000	76,200	56,700	7.65	16.1	4.9	1,005	0.65 - 12.0	...	1.67		
2001	80,400	59,700	7.65	16.1	4.9	1,050	2.15 - 12.0	1.5	2.59		
2002	84,900	63,000	7.65	15.6	4.9	1,100	3.15 - 12.0	2.5	2.71		
2003	87,000	64,500	7.65	14.2	4.9	1,120	3.15 - 12.0	2.5	2.36		
2004	87,900	65,100	7.65	13.1	4.9	1,130	2.15 - 12.0	1.5	2.38		
2005	90,000	66,900	7.65	[8]	[8]	1,150	2.15 - 12.0	1.5	3.43		
2006 and later	[2]	[2]	7.65	[8]	[8]	[2]	[5]	[5]	[5]		

1 Before tax credit. Employees received a credit of 0.3 percent in 1984. The self-employed received a credit of 2.7 percent in 1984, 2.3 percent in 1985 and 2.0 percent in 1986-89.

2 Based on automatic adjustments in proportion to increases in average earnings levels.

3 Earnings bases are monthly through 1984 and annual for 1985 and later. October 1, 1973 was the effective date for the allocation of railroad retirement taxes by tiers, subject to a moratorium for certain railroad labor organizations. The tier 1 tax rate was set equal to the current social security tax rate.

4 This temporary tax applied to employers until all pre-October 1985 loans from the Railroad Retirement Account were fully repaid with interest on June 29, 1993. Earnings bases are annual through 1988 and monthly for 1989-1993.

5 Taxes are paid only by employer. From 1948 through 1988, the rate for a calendar year was based on a graduated schedule depending on the preceding September 30 account balance (including administration fund). Except for certain commuter railroads, the rate for 1989-1990 was fixed at 8.0 percent. Beginning in 1991, each employer's rate is experience-based, with a minimum of 0.65 percent and a maximum of 12 percent, or 12.5 percent if a 3.5 percent surcharge applies due to a low account balance.

6 Taxes are paid only by employers. The supplemental annuity tax was repealed for calendar years after 2001.

7 Beginning in 1991, the portion of the tier 1 tax rate which does not exceed the social security HI tax rate is applied to earnings up to the HI maximum taxable amount. In 1993, a 1.45 percent tax applied to earnings up to \$135,000 and a 6.2 percent tax applied to earnings up to \$57,600.

8 Beginning in 2004, the tier 2 tax rate will be determined annually from a tax rate schedule based on the average account benefits ratio. The average account benefits ratio is the average for the 10 fiscal years preceding the calendar year of the ratio of the fair market value of the assets in the Railroad Retirement Account and the National Railroad Retirement Investment Trust as of the close of each fiscal year to the total benefits and administrative expenses paid from those accounts during the fiscal year. Employer tax rates can range from 8.2 percent to 22.1 percent. Employee tax rates can range from 0 percent to 4.9 percent.

Crimmel, Clyde

From: Crimmel, Clyde
Sent: Wednesday, November 24, 2004 1:19 PM
To: '@csx.com'; '@nscorp.com'
Subject: Fuel Forecast for January

Sir:

Please send me your forecast, for your Monthly Fuel Report average price for January 2005, after the markets close on December 1. Because our December 5 statutory filing date is on a Sunday, we may try to file on Friday the 3rd -- although we have the option to file on the following Monday. As you know, the 4.3 cent fuel tax will be reduced to 3.3 cents for Q1 and Q2.

Have a Happy Thanksgiving,

A. Clyde Crimmel, Jr.
Director - Statistical Information
Association of American Railroads



This Week In Petroleum

EIA Home > Petroleum > This Week In Petroleum

Released on December 1, 2004
(Next Release on December 8, 2004)

All Streaks Must End, Right?

After 74 consecutive wins and more than \$2.5 million in prize money, Ken Jennings finally lost on Jeopardy. Even Cal Ripken, Jr., the famous Baltimore Oriole shortstop and third baseman, finally sat out a game after playing in 2,632 consecutive games. With crude oil and petroleum product prices generally declining in November, many oil analysts are wondering if the increase we have seen in oil prices in 2004 is another streak that may be ending.

While it is true that oil inventories have been increasing lately, thus putting some downward pressure on prices, EIA still thinks that the price of West Texas Intermediate crude oil is likely to average between \$45 and \$50 per barrel during the winter period. Capacity constraints across all aspects of the oil industry should keep prices from falling much below current levels over the next few months. EIA estimates that spare global oil production capacity remains at a relatively low 1 million barrels per day. Although Saudi Arabia has recently announced plans to increase its production capacity, it will take time and for the next few months at least, spare global oil production capacity will remain minimal. With little spare production capacity available to respond to potential supply disruptions, markets will continue to factor this in, putting upward pressure on prices.

Downstream capacity is also being stretched further than it has in recent years. While U.S. refinery utilization routinely exceeds 90 percent, utilization rates in Europe and Asia have grown to around 90 percent or more. Additionally, with increases in oil production seen mostly in heavier and more sour crude oils, while at the same time, product demand growth is concentrated in light products, a growing mismatch between the incremental supply of crude oil and increasing product requirements is adding strain to the refinery system.

Finally, tight global tanker capacity has also put increased pressure on prices as tanker rates have increased recently. With Asian countries becoming more dependent on Middle East, and even West African, crude oils, the average length of a tanker voyage is increasing, which, in essence, is adding to the demand for tankers. As a result, transportation costs have increased, which has helped crude oil prices remain relatively high.

So while some streaks, as amazing as they are, come to an end, some unbelievable streaks continue. Earlier this week, Brett Favre started his 200th consecutive game as a quarterback in the National Football League. This is 84 games more than the previous record holder (Ron Jaworski for you trivia buffs), yet barring retirement, it appears that the end of Brett Favre's streak is not yet in sight. While high oil prices may not show this type of longevity, it does appear likely, despite the inventory increases we have seen in recent weeks that relatively high oil prices will persist, at least throughout the upcoming winter season, unless the winter proves to be unusually mild.

Mild Temperatures Provide Little Relief for Sagging Heating Fuel Inventories

Data reported by the National Oceanic and Atmospheric Administration (NOAA) for the four-week period ending November 27 show temperatures in the predominantly heating oil and propane

consuming regions of the New England, Central Atlantic and Midwest were relatively mild, presumably implying some buoyancy to these heating fuel inventories over this period. Since November weather is not typically severe, significant deviations from normal temperatures can result in some impact on heating fuel inventories by either inducing continued stockbuilding under mild weather conditions, or conversely, stockdraws under a scenario of colder-than-normal temperatures. Yet, despite mild weather, heating oil inventories (high-sulfur distillate) in the East Coast increased by just 0.2 million barrels to 30.8 million barrels between October 29 and November 26, putting them nearly 18 percent below the November 30, 2003 level. Moreover, this level also represents the East Coast's lowest heating oil inventories for the end of November since 2000. The conventional wisdom of some industry observers was that refiners would produce significantly more heating oil prior to the arrival of much colder winter weather, and if weather was mild, inventories would increase significantly. However, demand was sufficient to keep heating oil inventories relatively flat.

Similarly, Midwest propane inventories fell during the month, moving lower by an above-average 1.4 million barrels that left inventories at an 8-year low of 21.1 million barrels for the end of November. As of November 26, Midwest inventories of propane stood 11 percent below the November 30, 2003 level. Although propane stocks are inevitably drawn down during November, the volume of the stockdraw is generally determined by the severity of weather during the month. But relatively mild November temperatures were evidently not enough to stem the large flow of propane from Midwest storage facilities during this period. Accordingly, even with the prospect of extended mild weather, little hope remains for significant expansion in heating oil and propane inventory safety nets before the winter heating season begins.

Residential Heating Fuel Prices Increase

Residential heating oil prices increased for the period ending November 29, 2004. The average residential heating oil price increased by 0.5 cent from last week to reach 203.0 cents per gallon, an increase of 61.7 cents from this time last year. Wholesale heating oil prices decreased 4.2 cents to reach 147.6 cents per gallon, an increase of 61.4 cents compared to the same period last year.

The average residential propane price increased 1.6 cents, from 168.8 cents to 170.4 cents per gallon. This was an increase of 36.3 cents over the 134.1 cents per gallon average for this same time last year. Wholesale propane prices increased 1.8 cents per gallon, from 96.7 to 98.5 cents per gallon. This was a gain of 35.6 cents from the comparable price for the same time last year.

Retail Gasoline Prices Decrease Throughout Most of the Country

The U.S. average retail price for regular gasoline decreased this week by 0.3 cent per gallon from the previous week to reach 194.5 cents per gallon as of November 29, 45.5 cents higher than this time last year. This is the fifth time in the last six weeks that prices have decreased and is the lowest weekly average retail price since October 4. Prices were down throughout most of the country, with the West Coast region seeing the largest decrease of 2.6 cents to 215.7 cents per gallon. Retail prices on the East Coast fell 0.7 cent to 194.2 cents per gallon, which is 44.4 cents higher than last year. Prices in California fell 2.7 cents to 223.6 cents per gallon, which is 55.6 cents higher than this time last year. The Midwest was the only region that saw a price increase, rising 1.3 cents to 188.4 cents per gallon.

Retail diesel fuel prices were flat at 211.6 cents per gallon. Prices were mixed throughout the country, with the East Coast seeing a decrease of 0.2 cent to 214.1 cents per gallon, while the Midwest saw an increase of 0.3 cent to 208.6 cents per gallon. California prices remained the highest, averaging 228.7 cents per gallon, despite falling 1.2 cents during the past week.

November Draw on Propane Above Average

MONEY & INVESTING

7702.

FRIDAY, DECEMBER 8,

THE WALL STREET JOURNAL

Speculators Slip on Oil Strategy

*As Mild Weather Cuts Pressure
On Supplies and Prices Plunge,
Risk-Takers Are Fleeing the Scene*

By THADEUS HERRICK
And PETER A. MCKAY

THE GUNSLINGERS have left the premises. Warm weather, more inventory and the petroleum industry's almost complete recovery from Hurricane Ivan have combined to cause hedge funds and other sophisticated, risk-taking traders to flee oil, and prices of the commodity have tumbled nearly \$6 in two days.

Traders say this week's selloff may represent the last gasp of the speculators who had bid up prices earlier in the year to nearly \$55 a barrel. "Those betting on \$60 oil are not happy campers," says Steve Bellino, senior vice president of energy-risk management at Fimat U.S.A. Inc., a brokerage firm. "These are huge swings."

Crude oil finished at \$43.25 a barrel on the New York Mercantile Exchange, its lowest close in nearly three months. For the day, it fell \$2.24 a barrel, or 4.9%, on top of Wednesday's decline of \$3.64, or 7.4%. During the past two days, crude has fallen a total of \$5.88, or 12%. The two-day dollar

decline of \$5.88 is the biggest since the first Gulf War.

Oil markets had been poised for a cold snap, which would have increased demand for heating oil in the Northeastern U.S. and sent crude prices soaring. But with temperatures last month more than 10° warmer than forecast, refiners were able to build stocks, which in turn have eased markets.

The latest decline in oil prices was touched off Wednesday by a report from the Energy Department's Energy Information Administration that commercial stocks of distillates, which includes heating oil, rose 2.3 million barrels to 177.9 million barrels for the week ended Nov. 26. And with the Organization of Petroleum Exporting Countries producing at its highest level in 25 years, crude-oil

Please Turn to Page C3, Column 2

Direct-Commodity Funds Hold Their Appeal

By PETER A. MCKAY
And IAN McDONALD

Legal Watch Feeds the Hare It Usually Bit

By DIYA GULLAPALI

THE WASHINGTON Legal Foundation lambastes aggressive regulatory class-action plaintiff lawyers plaudits from influential conservatives. The nonprofit group's latest major foray, however, has backfired: It up a hornet's nest of those very regulatory attorneys.

The impetus was a letter the group February to regulators in New York and Florida. The missive voiced concerns that they are supposed to sell clients unbiased advice were getting lucrative fees and doing reinsurance business from insurers for policies their way.

New York Attorney General Eliot S. credited the letter with helping launch reaching probe of the industry, which reached almost every major company in the state and spawned waves of other regulatory investigations and private lawsuits seek action status. Without waiting for new regulations, some of the industry's big players have promised to forego the social fees.

Now the Washington Legal Foundation is all the fallout—without mentioning "Some AGs have already embraced 101's textbook tactics—demonize, invest gate—and are positioning themselves as setting overlords of our free enterprise


Print

Oil Falls for 3rd Day as Supply Rises, Speculators Reverse Bets

Dec. 2 (Bloomberg) -- Crude oil fell for a third day, reaching an 11-week low, as rising U.S. inventories caused speculators to reverse bets that prices would rise.

Higher OPEC output and warm weather in much of the U.S. may boost fuel stockpiles in the weeks ahead. Heating-oil supplies rose 2.2 percent last week, the biggest gain in two months, a government report showed. Traders who forecast a market's direction by analyzing patterns in prior price and volume data started selling futures when support levels were breached.

"It's amazing how quickly sentiment changed," said Rick Mueller, an analyst with Energy Security Analysis Inc. in Wakefield, Massachusetts. "U.S. crude-oil inventories and OPEC production have been pointing to lower prices. The only thing the bulls were holding on to was the heating-oil concern and now that is gone."

Crude oil for January delivery fell \$1.94, or 4.3 percent, to \$43.55 a barrel at 11:04 a.m. on the New York Mercantile Exchange. Prices fell to \$43.15, the lowest since Sept. 16. Oil has declined 22 percent from a record of \$55.67 on Oct. 25. Futures are 41 percent higher than a year ago.

"Breaking below \$45.25, which was the low on Nov. 15, was key," said Ed Silliere, vice president of risk management at Energy Merchant LLC in New York. "Getting past \$45 also triggered more selling."

Oil in New York has tumbled 12 percent in three days. It's the biggest three-day decline since the U.S.-led invasion of Iraq in March 2003. Prices plunged \$3.64 yesterday, the biggest decline since a drop of \$3.96 on Sept. 24, 2001, when prices plunged because of terrorist attacks in the U.S.

In London, the January Brent crude-oil futures contract fell \$2.11, or 5 percent, to \$40.20 a barrel on the International Petroleum Exchange. Brent futures have declined 23 percent since reaching \$51.95 on Oct. 27, the highest since the contract began in 1988.

More Selling

"The next target is \$40. We could easily see another day like yesterday," Silliere said. "An avalanche doesn't stop half-way down the mountain."

Concern about possible cuts in supply from Iraq, Russia and Nigeria spurred hedge-fund managers and other large speculators to enter the oil market, pushing prices to records this year.

"The funds are jumping out of every position," said Marshall Steeves, an analyst at Refco Group Inc. in New York. "Prices keep breaking support levels, propelling the downward momentum."

Company Stocks Drop

Oil-company stocks followed futures lower. A gauge of energy stocks fell 2.3 percent, the steepest decline among 24 industry groups in the S&P 500. Exxon Mobil Corp., the world's biggest publicly traded oil company, fell 95 cents, or 1.9 percent, to \$50.20 in New York Stock Exchange composite trading. ConocoPhillips, the largest U.S. oil refinery, fell \$3.35, or 3.8 percent, to \$85.93.

In the period from Dec. 3 through Dec. 9, heating demand in the U.S. Northeast will be 15 percent below normal, according to forecaster Weather Derivatives Inc. of Belton, Missouri. The Northeast is

responsible for about 80 percent of residential heating-oil consumption in the U.S.

Stockpiles of distillate fuels, which include heating oil and diesel, climbed 2 percent to 117.9 million barrels last week, the biggest gain in four months, according to an Energy Department report yesterday. Distillate inventories fell for nine-straight weeks following Sept. 10 because of the closure of refineries and reduced imports caused by Hurricane Ivan.

Warm Weather

``We're supposed to have warm weather in the Northeast," Mueller said. ``From a fundamental standpoint there is no reason why we can't fall further."

Heating oil for January delivery fell 5.63 cents, or 4.2 percent, to \$1.273 a gallon in New York. Gasoline for January delivery fell 4.87 cents, or 4.1 percent, to \$1.172 a gallon.

Crude oil prices were also pulled lower by plunging prices for natural gas, a competing fuel. From 5 to 10 percent of U.S. factories can burn either natural gas or petroleum products, depending on which is more economical.

The Energy Department revised a natural-gas inventory report that last week showed a bigger-than-expected drop in storage. Gas inventories in the week ended Nov. 19 fell by 17 billion cubic feet, 65 percent less than the 49 billion initially reported, the department said.

Natural gas for January delivery fell 58.3 cents, or 7.9 percent, to \$6.83 per million British thermal units on the New York Mercantile Exchange.

The Organization of Petroleum Exporting Countries will meet in Cairo Dec. 10 to discuss its self-imposed production quotas and target prices. Delegates from Indonesia and Nigeria said today they expect the group to keep its limit on output at 27 million barrels a day excluding Iraq, which has no quota.

Production by all 11 OPEC members reached 30.61 million barrels a day in October, according to a Bloomberg survey of oil companies, producers and analysts. It was the most oil OPEC has pumped since November 1979, U.S. Energy Department figures show.

To contact the reporter on this story:
Mark Shenk in New York at mshenk1@bloomberg.net.

To contact the editor responsible for this story:
Robert Dieterich at rdieterich@bloomberg.net.

Last Updated: December 2, 2004 11:22 EST

►  **Print**

AAR MATERIALS AND SUPPLIES INDEX
Region By Composition
Fourth Quarter 2004
November 30, 2004

United States by Composition Category - Summary

Composition Category -----	Weight -----	Previous Quarter Index -----	Current Quarter Index -----	Relative Of Change -----
Forest Products	.1375	205.47	203.11	.9885
Metal Products	.6345	131.31	131.94	1.0048
Miscellaneous Products	.2281	198.52	180.08	.9071
U.S. By Composition	--	156.85	152.73	.9737
U.S. By Composition (Linked)	--	159.94	155.73	.9737
United States (1977=100)	--	227.59	221.60	.9737
Linking Factor: 1.423				
United States (1980=100)	--	169.70	165.23	.9737
Linking Factor: 1.061				

Car Hire for RCAF

RCAF (Forecast)

	1980	June 3Q/04	Sept. 4Q/04	Dec. 1Q/05	Mar. 2Q/05	June 3Q/05
RATE						
RR-OWNED TIME	31.00	64.00	65.00	65.00	0.00	0.00
RR-OWNED MILEAGE	4.69	7.30	7.30	7.30	0.00	0.00
PRIVATELY-OWNED CARS	25.47	42.56	42.58	42.67	#DIV/0!	#DIV/0!
AUTORACKS	47.00	51.79	52.51	53.24	#DIV/0!	#DIV/0!
INDEX						
RR-OWNED TIME	100.0	206.5	209.7	209.7	0.0	0.0
RR-OWNED MILEAGE	100.0	155.7	155.7	155.7	0.0	0.0
PRIVATELY-OWNED CARS	100.0	167.1	167.2	167.5	#DIV/0!	#DIV/0!
AUTORACKS	100.0	110.2	111.7	113.3	#DIV/0!	#DIV/0!
CAR HIRE INDEX (old wts) 2002	100.0	174.4	--	--	--	--
CAR HIRE INDEX (new wts) 2003	100.0	174.7	175.5	175.7	#DIV/0!	#DIV/0!
CAR HIRE INDEX (LINKED)	100.0	171.7	172.5	172.7	NA	NA

Note: The Car Hire Index for third quarter using *old weights* and *linked* should match that quarter's filing. The third quarter *new weights* version is used in the fourth quarter linked index calculation to ensure that the transition from old weights to new weights does not impact the linked index.

Equipment Rents Data From UMLER

	2004						2005							
	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG
Railroad Owned														
No. of Cars														
Superstructures														
Rate	8,306	8,346	8,321	8,302	8,318	8,290								
Superstructures #3 - Auto Rack														
All other #1 - Time	33.0	31.0	32.0	32.0	31.0	31.0								
All other #2 - Mileage	64.0	64.0	65.0	65.0	65.0	65.0								
Privately Owned	7.3	7.3	7.3	7.3	7.3	7.3								
No. of Cars														
Superstructures	48,797	48,856	48,937	48,924	48,962	49,022								
Covered Hoppers	301,650	300,561	300,510	300,356	299,976	301,824								
Tank Cars	266,744	266,734	267,354	267,774	266,909	267,636								
Others	239,935	241,849	242,699	242,486	244,238	244,492								
Rate														
Superstructures #1 - Time	74.0	74.0	74.0	74.0	74.0	74.0								
Superstructures #2 - Mileage	0.0	0.0	0.0	0.0	0.0	0.0								
Superstructures #3 - Auto Rack	55.0	56.0	56.0	57.0	57.0	57.0								
Covered Hoppers #2 - Mileage	44.2	44.3	44.3	44.3	44.4	44.4								
Tank Cars #2 - Mileage	63.5	63.5	63.4	63.4	63.6	63.7								
Others #1 - Time	71.0	72.0	72.0	72.0	72.0	72.0								
Others #2 - Mileage	6.5	6.6	6.6	6.6	6.6	6.6								

AVERAGE RATES

Private Superstructures	17.39	17.39	17.39	17.39	17.39	17.39	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Private Others	22.26	22.58	22.58	22.58	22.58	22.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Private Total	42.54	42.82	42.58	42.59	42.63	42.67	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Autotracks	51.80	52.35	52.51	53.37	53.22	53.24	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

WEIGHTS

	2002	2003
For RCAF & RCR		
RR-owned Time	0.213	0.224
RR-owned Mileage	0.094	0.104
Privately-owned Cars	0.693	0.672
Autotracks	0.000	0.000
----- Check sum	1.000	1.000

Weights for Equipment Rents (not used in Car Hire calculation)

	2002	2003
Car Hire - U.S.	0.506	0.501
Lease Rentals - U.S.	0.494	0.499
----- Check sum	1.000	1.000

RAILROAD EQUIPMENT 1/			
AVERAGE RATE FOR 12/04			
CAR RENTAL RATES			
CAR GROUP	CAR COUNT	TIME	AUTO RACK
-----	-----	-----	-----
-VEHICULAR FLATS	8,290	106 c/HR	31 c/HR
ONO. OF ZERO RATED VEH. FLATS 2/	53		
-ALL OTHER CARS	722,539		
ONO. OF ZERO RATED *OTHER* CARS 2/	42,183	65 c/HR	

	TOTAL: 773,065		

0 THIS PRINT EXCLUDES THE FOLLOWING CAR TYPES:

- 1/ CAR TYPE D - LOCOMOTIVES
- CAR TYPE M - MAINTENANCE OF WAY, SCALE, PASSENGER, CABOOSE AND EOT DEVICE
- CAR TYPE U - CONTAINERS
- CAR TYPE Z - TRAILERS
- 0 ALL TTX EQUIPMENT (INCLUDING ABOX, RBOX AND GONX) IS SHOWN ON THE PRIVATE EQUIPMENT REPORT.
- 2/ EQUIPMENT CAN BE ZERO RATED DUE TO OWNERS SUPPLYING INCORRECT OR INSUFFICIENT INFORMATION TO THE CAR ACCOUNTING PROCESS OR CARS WITH RATE INDICATOR SIX (6). THIS EQUIPMENT IS ELIMINATED FROM THE AVERAGING PROCESS.

1 PROGRAM: DPRB799
CURRENT DATE: DECEMBER 01, 2004

PRIVATE EQUIPMENT 1/

PAGE NO: 92

CAR GROUP		AVERAGE RATE FOR 12/04			
		CAR RENTAL RATES			
		TIME	MILEAGE	AUTO RACK	
-VEHICULAR FLATS		74 ¢/HR	.000 \$/MILE	57 ¢/HR	
ONO. OF ZERO RATED VEH. FLATS 2/		0 ¢/HR	.444 \$/MILE		
-COVERED HOPPERS		6 ¢/HR	.637 \$/MILE		
ONO. OF ZERO RATED COVERED HOPPERS 2/		72 ¢/HR	.066 \$/MILE		
-TANKS					
ONO. OF ZERO RATED TANKS 2/					
-ALL OTHER CARS					
ONO. OF ZERO RATED "OTHER" CARS 2/					
TOTAL:					

1/ THIS PRINT EXCLUDES THE FOLLOWING CAR TYPES:
CAR TYPE D - LOCOMOTIVES
CAR TYPE M - MAINTENANCE OF WAY, SCALE, PASSENGER, CABOOSE AND EOT DEVICE
CAR TYPE U - CONTAINERS
CAR TYPE Z - TRAILERS

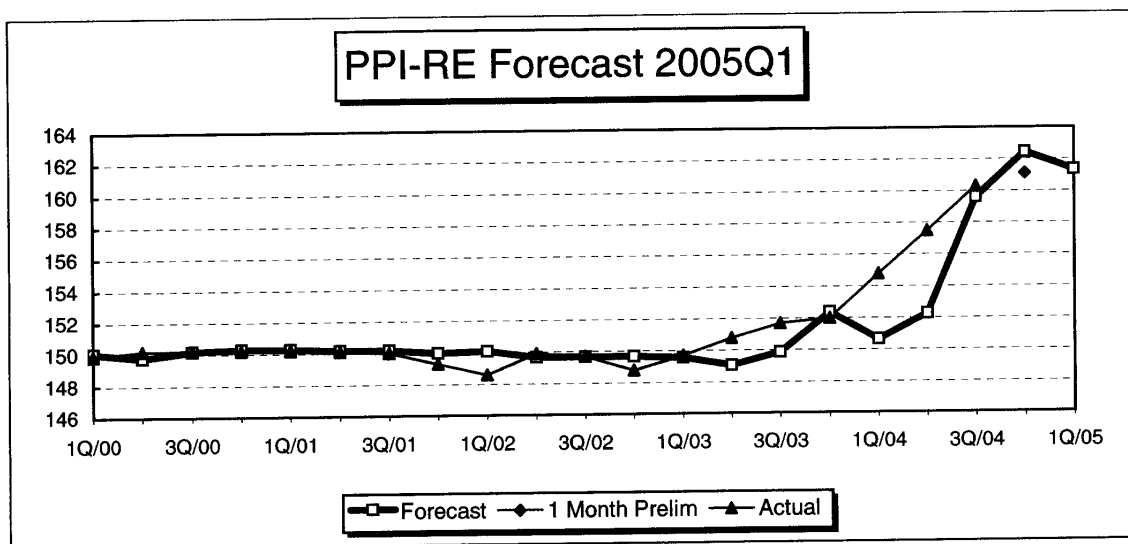
0 ALL TTX EQUIPMENT (INCLUDING ABOX, RBOX AND GONX) IS SHOWN ON THE PRIVATE EQUIPMENT REPORT.
-2/ EQUIPMENT CAN BE ZERO RATED DUE TO OWNERS SUPPLYING INCORRECT OR INSUFFICIENT INFORMATION TO THE CAR ACCOUNTING PROCESS OR CARS WITH RATE INDICATOR SIX (6). THIS EQUIPMENT IS ELIMINATED FROM THE AVERAGING PROCESS.

PPI-RE Forecast (for Depreciation Component)

	Forecast	Actual	1 Month Prelim
1Q/00	150.1	149.9	
2Q/00	149.8	150.2	
3Q/00	150.2	150.2	
4Q/00	150.3	150.2	
1Q/01	150.3	150.2	
2Q/01	150.2	150.1	
3Q/01	150.2	150.0	
4Q/01	150.0	149.3	
1Q/02	150.1	148.6	
2Q/02	149.7	149.9	
3Q/02	149.7	149.7	
4Q/02	149.7	148.8	
1Q/03	149.6	149.7	
2Q/03	149.1	150.8	
3Q/03	149.9	151.7	
4Q/03	152.4	152.0	
1Q/04	150.7	154.8	
2Q/04	152.3	157.5	
3Q/04	159.6	160.3	
4Q/04	162.4		161.1
1Q/05	161.3		

1980 Base

	PPI-RE Forecast		Percent Change			
	(82=100)	(80=100)	Yr Ago Actual	Latest Month Actual	2nd Prev Qtr Actual	Previous Forecast
2005Q1						
Low	143.1	158.3	2.3%			
Modpoint	145.8	161.3	4.2%	0.1%	0.6%	-0.7%
High	148.6	164.4	6.2%			



re_ppi.txt
Forecast Pro for Windows Version 3.00D

Database I:\Indexes2\RCAF\2005q1\5Deprec\FPre_ppi.xls is open and ready for use.

Expert data exploration of dependent variable PPIRE

Length 72 Minimum 134.300 Maximum 145.600
Mean 136.506 Standard deviation 2.859

Classical decomposition (multiplicative)
Trend-cycle: 83.85% Seasonal: 3.35% Irregular: 12.80%

Log transform recommended for Box-Jenkins.

Choice is narrowed down to Box-Jenkins or exponential smoothing.

Box-Jenkins outperforms exponential smoothing by 3.803 to 3.865 out-of-sample Mean Absolute Deviation. I tried 78 forecasts up to a maximum horizon 12. For Box-Jenkins, I used a log transform.

Series is nonstationary and nonseasonal.

Recommended model: Box-Jenkins

Forecast Model for PPIRE
ARIMA(1,1,0) with log transform

Term	Coefficient	Std. Error	t-Statistic	Significance
a[1]	0.3690	0.1080	3.4161	0.9989

Within-Sample Statistics

Sample size 72	Number of parameters 1
Mean 4.916	Standard deviation 0.02064
R-square 0.9709	Adjusted R-square 0.9709
Durbin-Watson 2.128	Ljung-Box(18)=17.41 P=0.5048
Forecast error 0.003521	BIC 0.4916
MAPE 0.002392	RMSE 0.4825
MAD 0.329	

Forecast Report
Wed Nov 17 15:58:58 2004
Box-Jenkins model for PPIRE
Analysis of Historic Fit Set

Date	Historic
1998-12	135.200
1999-01	134.600
1999-02	134.600
1999-03	134.600
1999-04	134.500
1999-05	134.500
1999-06	135.800
1999-07	135.900
1999-08	135.900
1999-09	135.800
1999-10	135.700
1999-11	135.300
1999-12	135.500
2000-01	135.300
2000-02	135.300

			re_ppi.txt
2004-12	144.107	145.803	147.518
2005-01	143.559	145.823	148.122
2005-02	143.089	145.830	148.623
2005-03	142.679	145.833	149.056
2005-04	142.314	145.834	149.441
2005-05	141.983	145.834	149.790
2005-06	141.678	145.834	150.112
2005-07	141.395	145.834	150.413
2005-08	141.130	145.834	150.696
2005-09	140.880	145.834	150.963
2005-10	140.642	145.834	151.219

re_ppi.txt

2000-03	135.600
2000-04	135.800
2000-05	135.700
2000-06	135.800
2000-07	135.800
2000-08	135.700
2000-09	135.900
2000-10	135.800
2000-11	135.800
2000-12	135.800
2001-01	135.900
2001-02	135.900
2001-03	135.400
2001-04	135.500
2001-05	135.600
2001-06	135.700
2001-07	135.100
2001-08	135.100
2001-09	135.000
2001-10	134.600
2001-11	134.500
2001-12	134.500
2002-01	134.900
2002-02	134.600
2002-03	135.100
2002-04	135.000
2002-05	135.200
2002-06	135.400
2002-07	134.900
2002-08	135.000
2002-09	134.600
2002-10	134.500
2002-11	134.500
2002-12	134.500
2003-01	134.500
2003-02	135.400
2003-03	135.500
2003-04	136.000
2003-05	136.300
2003-06	136.300
2003-07	136.700
2003-08	136.500
2003-09	136.900
2003-10	137.200
2003-11	137.700
2003-12	137.300
2004-01	137.900
2004-02	140.100
2004-03	142.200
2004-04	142.800
2004-05	143.500
2004-06	143.700
2004-07	144.200
2004-08	145.400
2004-09	145.200
2004-10	145.600

Forecasted Values

Date	2.5 Lower	Forecast	97.5 Upper
2004-11	144.746	145.748	146.757

Page 2



U.S. Department of Labor Bureau of Labor Statistics

Bureau of Labor Statistics Data

www.bls.gov

[BLS Home](#) | [Programs & Surveys](#) | [Get Detailed Statistics](#) | [Glossary](#) | [What's New](#) | [Find It! In DOL](#)

[Search](#) | [A-Z Index](#)

Data extracted on: November 17, 2004 (02:45 PM)

Producer Price Index-Commodities

Series Catalog:

Series ID : wpu144

Not Seasonally Adjusted

Group : Transportation equipment

Item : Railroad equipment

Base Date : 8200

Data:

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ann
2003	134.5	135.4	135.5	136.0	136.3	136.3	136.7	136.5	136.9	137.2	137.7	137.3	136.3
2004	137.9	140.1	142.2	142.8	143.5	143.7	144.2(P)	145.4(P)	145.2(P)	145.6(P)			

P : Preliminary. All indexes are subject to revision four months after original publication.

[▲ Back to Top](#)

www.dol.gov

[Frequently Asked Questions](#) | [Freedom of Information Act](#) | [Customer Survey](#)
[Privacy & Security Statement](#) | [Linking to Our Site](#) | [Accessibility](#)

U.S. Bureau of Labor Statistics
 Postal Square Building
 2 Massachusetts Ave., NE
 Washington, DC 20212-0001

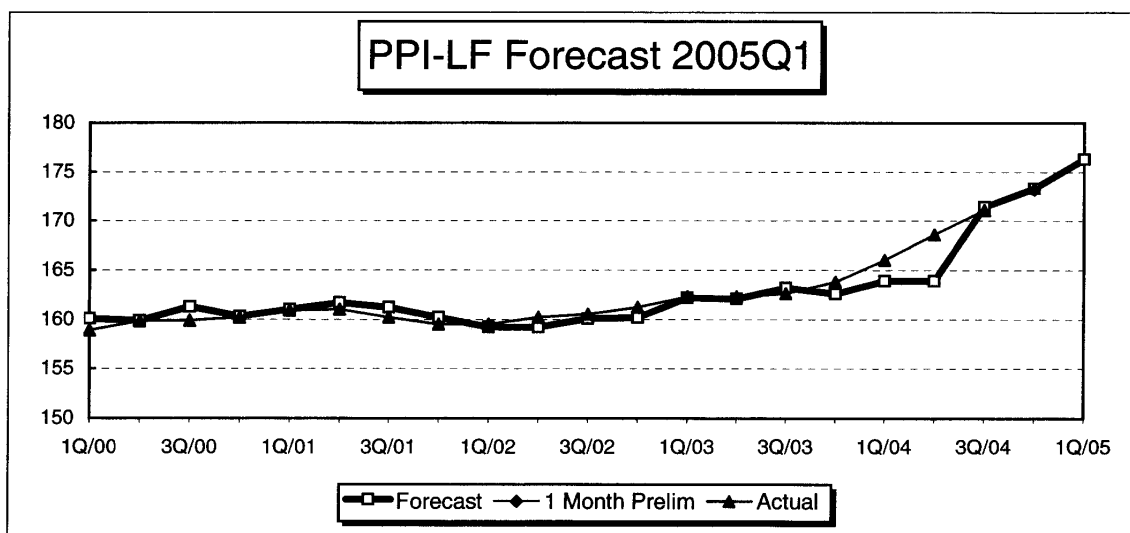
Phone: (202) 691-5200
 Fax-on-demand: (202) 691-6325
 Data questions: blsdata_staff@bls.gov
 Technical (web) questions: webmaster@bls.gov
 Other comments: feedback@bls.gov

PPI-LF Forecast (for Other and Lease Rentals Components)

	Forecast	Actual	1 Month Prelim
1Q/00	160.1	158.9	
2Q/00	159.9	159.8	
3Q/00	161.3	159.9	
4Q/00	160.3	160.2	
1Q/01	161.0	160.9	
2Q/01	161.7	161.0	
3Q/01	161.2	160.2	
4Q/01	160.2	159.5	
1Q/02	159.2	159.5	
2Q/02	159.2	160.2	
3Q/02	160.1	160.5	
4Q/02	160.2	161.2	
1Q/03	162.2	162.3	
2Q/03	162.1	162.3	
3Q/03	163.2	162.6	
4Q/03	162.6	163.8	
1Q/04	163.9	166.0	
2Q/04	163.9	168.6	
3Q/04	171.4	171.1	
4Q/04	173.3		173.2
1Q/05	176.3		

1980 Base

	PPI-LF Forecast		Percent Change			
	(82=100)	(80=100)	Yr Ago Actual	Latest Month Actual	2nd Prev Qtr Actual	Previous Forecast
2005Q1						
Low	155.9	174.8	5.3%			
Modpoint	157.3	176.3	6.2%	1.8%	3.0%	1.7%
High	158.7	177.9	7.2%			



1f_ppi.txt
Forecast Pro for windows Version 3.00D

Database I:\Indexes2\RCAF\2005q1\7Other\FPIf_ppi.xls is open and ready for use.

Expert data exploration of dependent variable PPILF

Length 72 Minimum 138.400 Maximum 154.500
Mean 143.650 Standard deviation 3.534

Classical decomposition (multiplicative)
Trend-cycle: 91.82% Seasonal: 1.03% Irregular: 7.15%

Log transform recommended for Box-Jenkins.

Choice is narrowed down to Box-Jenkins or exponential smoothing.

Exponential smoothing outperforms Box-Jenkins by 1.770 to 3.121 out-of-sample Mean Absolute Deviation. I tried 78 forecasts up to a maximum horizon 12. For Box-Jenkins, I used a log transform.

Series is trended and seasonal.

Recommended model: Exponential Smoothing

Forecast Model for PPILF

Multiplicative Winters: Linear trend, Multiplicative seasonality
Confidence limits proportional to indexes

Component	Smoothing weight	Final Value
Level	0.90366	154.24
Trend	0.31392	0.76640
Seasonal	0.99865	

Seasonal Indexes

January - March	1.00030	1.00011	1.00001
April - June	0.99980	0.99973	0.99990
July - September	1.00010	0.99971	0.99932
October - December	1.00169	1.00012	0.99923

Within-Sample Statistics

Sample size 72	Number of parameters 3
Mean 143.7	Standard deviation 3.559
R-square 0.9934	Adjusted R-square 0.9932
Durbin-Watson 1.612	Ljung-Box(18)=21.1 P=0.7258
Forecast error 0.2935	BIC 0.3141
MAPE 0.001594	RMSE 0.2873
MAD 0.2299	

Forecast Report

Thu Nov 18 09:27:36 2004

Exponential Smoothing model for PPILF
Analysis of Historic Fit Set

Date	Historic
1998-11	138.400
1998-12	138.700
1999-01	138.600
1999-02	138.600

lf_ppi.txt

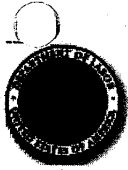
1999-03	138.600
1999-04	138.700
1999-05	138.900
1999-06	139.000
1999-07	139.300
1999-08	139.500
1999-09	139.800
1999-10	140.700
1999-11	140.800
1999-12	141.000
2000-01	141.400
2000-02	141.800
2000-03	142.100
2000-04	142.500
2000-05	142.500
2000-06	142.600
2000-07	142.700
2000-08	142.500
2000-09	142.700
2000-10	143.100
2000-11	142.900
2000-12	142.900
2001-01	143.500
2001-02	143.500
2001-03	143.600
2001-04	143.700
2001-05	143.700
2001-06	143.600
2001-07	143.200
2001-08	142.800
2001-09	142.800
2001-10	142.600
2001-11	142.300
2001-12	142.200
2002-01	142.200
2002-02	142.200
2002-03	142.400
2002-04	142.800
2002-05	142.700
2002-06	143.000
2002-07	143.000
2002-08	143.000
2002-09	143.200
2002-10	143.900
2002-11	143.800
2002-12	143.400
2003-01	144.000
2003-02	144.700
2003-03	145.300
2003-04	144.800
2003-05	144.900
2003-06	144.800
2003-07	144.600
2003-08	144.800
2003-09	145.000
2003-10	145.900
2003-11	146.100
2003-12	146.300
2004-01	147.200
2004-02	148.200
2004-03	149.100
2004-04	150.000
2004-05	150.500

lf_ppi.txt

2004-06	150.900
2004-07	151.800
2004-08	152.700
2004-09	153.300
2004-10	154.500

Forecasted values

Date	2.5 Lower	Forecast	97.5 Upper
2004-11	154.408	155.023	155.639
2004-12	154.697	155.652	156.607
2005-01	155.381	156.584	157.787
2005-02	155.914	157.322	158.729
2005-03	156.486	158.073	159.659
2005-04	157.059	158.806	160.552
2005-05	157.667	159.560	161.453
2005-06	158.324	160.353	162.383
2005-07	158.996	161.153	163.309
2005-08	159.578	161.855	164.133
2005-09	160.166	162.558	164.950
2005-10	161.211	163.712	166.213



U.S. Department of Labor Bureau of Labor Statistics

Bureau of Labor Statistics Data

www.bls.gov

[BLS Home](#) | [Programs & Surveys](#) | [Get Detailed Statistics](#) | [Glossary](#) | [What's New](#) | [Find It! In DOL](#)

[Search](#) | [A-Z Index](#)

Data extracted on: November 17, 2004 (03:49 PM)

Producer Price Index-Commodities

Series Catalog:

Series ID : wpu03t15m05

Not Seasonally Adjusted

Group : Industrial Commodities less fuels

Item : Industrial commodities less fuels

Base Date : 8200

Data:

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ann
2003	144.0	144.7	145.3	144.8	144.9	144.8	144.6	144.8	145.0	145.9	146.1	146.3	145.1
2004	147.2	148.2	149.1	150.0	150.5	150.9	151.8(P)	152.7(P)	153.3(P)	154.5(P)			

P : Preliminary. All indexes are subject to revision four months after original publication.

[Back to Top](#)

www.dol.gov

[Frequently Asked Questions](#) | [Freedom of Information Act](#) | [Customer Survey](#)
[Privacy & Security Statement](#) | [Linking to Our Site](#) | [Accessibility](#)

U.S. Bureau of Labor Statistics
 Postal Square Building
 2 Massachusetts Ave., NE
 Washington, DC 20212-0001

Phone: (202) 691-5200
 Fax-on-demand: (202) 691-6325
 Data questions: bladata_staff@bls.gov
 Technical (web) questions: webmaster@bls.gov
 Other comments: feedback@bls.gov

Forecast Error Calculation

	Thrid Quarter 2004		Diff
	2002	2004Q3	
Labor	Weight	Forecast	Actual
Fuel	38.0%	281.9	281.9
M&S	9.0%	137.7	144.7
Equip Rents	4.6%	160.3	160.3
Depreciation	10.3%	177.0	177.2
Interest	10.9%	159.6	160.3
Other	3.7%	98.0	98.0
Weighted Avg	23.5%	171.4	171.1
1980 = 100		206.4	207.1
1980 = 100 (linked)		202.6	204.5
4Q02 = 100		105.5	106.5
4Q97 = 100		117.0	118.1
4Q92 = 100		129.1	130.3

Forecast Error → 1.0

<u>Prior Quarter</u>	
1980 = 100	200.8
1980 = 100 (linked)	197.1
4Q02 = 100	102.6
4Q97 = 100	113.8
4Q92 = 100	125.6

<u>Equipment Rents</u>	
Car Hire	171.7
Lease Rentals	171.4
Weighted Average	171.6
Linked	177.0

<u>Prior Quarter</u>	
Weighted Average	167.8
Linked	173.1

Sum of Weights	ok	***	if fourth quarter, weighted avg for prior needs to use new weights, linked is ok
Sum of ER Wt.	ok		

file: NewRCAF.xls

11/22/2004

All-Inclusive Index (Actual)

	02 Wts	3Q/03 ¹ 01 Wts	3Q/03 02 Wts	% Chg.	4Q/03 02 Wts	% Chg.	1Q/04 02 Wts	% Chg.	2Q/04 02 Wts	% Chg.	3Q/04 02 Wts	% Chg.
Labor	38.0%	273.5	273.5	0.0%	278.3	1.8%	276.8	-0.5%	279.5	1.0%	281.9	0.9%
Fuel	9.0%	108.0	108.0	0.0%	111.2	3.0%	122.2	9.9%	133.8	9.5%	144.7	8.1%
M&S	4.6%	152.7	152.7	0.0%	154.8	1.4%	160.3	3.6%	155.0	-3.3%	160.3	3.4%
Equipment Rents	10.3%	175.9	175.9	0.0%	176.8	0.5%	177.5	0.4%	175.9	-0.9%	177.2	0.7%
Depreciation	10.9%	151.7	151.7	0.0%	152.0	0.2%	154.8	1.8%	157.5	1.7%	160.3	1.8%
Interest	3.7%	98.6	98.6	0.0%	98.0	-0.6%	98.0	0.0%	98.0	0.0%	98.0	0.0%
Other	23.5%	162.6	162.6	0.0%	163.8	0.7%	166.0	1.3%	168.6	1.6%	171.1	1.5%
1.0000												
Weighted Avg.		196.1	197.2	0.6%	199.8	1.3%	201.3	0.8%	203.9	1.3%	207.1	1.6%
Linked		194.6	194.6	0.0%	197.2	1.3%	198.7	0.8%	201.3	1.3%	204.5	1.6%
10/1/80		189.5	189.5	0.0%	192.0	1.3%	193.5	0.8%	196.0	1.3%	199.1	1.6%
10/1/82		161.0	161.0	0.0%	163.1	1.3%	164.4	0.8%	166.5	1.3%	169.1	1.6%
4Q/87		147.2	147.2	0.0%	149.2	1.4%	150.3	0.7%	152.3	1.3%	154.7	1.6%
4Q/92		124.0	124.0	0.0%	125.7	1.4%	126.6	0.7%	128.3	1.3%	130.3	1.6%
4Q/97		112.4	112.4	0.0%	113.9	1.3%	114.7	0.7%	116.2	1.3%	118.1	1.6%
4Q/02		101.3	101.3	0.0%	102.7	1.4%	103.4	0.7%	104.8	1.4%	106.5	1.6%

Equipment Rents

Car Hire	50.6%	177.4	177.4	0.0%	178.0	0.3%	177.2	-0.4%	171.7	-3.1%	171.8	0.1%
Lease Rentals	49.4%	162.6	162.6	0.0%	163.8	0.7%	166.0	1.3%	168.6	1.6%	171.1	1.5%
1.0000												
ER Weighted Avg		170.2	170.1	-0.1%	171.0	0.5%	171.7	0.4%	170.2	-0.9%	171.5	0.8%
ER Linked		175.9	175.9	0.0%	176.8	0.5%	177.5	0.4%	175.9	-0.9%	177.2	0.7%

¹ Reflects the final actual third quarter values.

LABOR	01 Wts	02 Wts
FUEL	103.383	103.930
M&S	11.340	9.720
EQUIP RENTS	7.024	7.024
DEPR	18.470	18.118
INTEREST	16.080	16.535
OTHER	3.747	3.648
Weighted Avg.	36.097	38.211
	196.141	197.186

RCAF Fuel (Actual All-Inclusive Index)

July 2004

Average Price for Monthly Report

	July 2004 Price (1)	1/1/81 Price (2)	1/91 New Method Linking Factors (3)	July 2004 Index 1/1/81=100 (4)
U.S.	118.41	89.34	99.415	131.76
East	115.63	91.56	99.435	125.58
West	119.52	87.83	99.416	135.29

$(4) = (1) / (2) \times (3)$

Fuel Index on 1977 Base and 1980 Base

	July 2004 Index 1/1/81=100 (1)	Linking Factors 1977=100 (2)	1980=100 (3)	July 2004 Index 1977=100 (4)	1980=100 (5)
U.S.	131.76	2.606	1.096	343.38	144.41
East	125.58	2.569	1.134	322.60	142.40
West	135.29	2.639	1.067	357.02	144.35

$(4) = (1) \times (2)$
 $(5) = (1) \times (3)$

Final Actual All-Inclusive Index

	1980=100 July 2004 Current Index	Adjustment Factor	July 2004 Linked Index
U.S.	144.41	1.00192	144.69 ←
East	142.40	1.00621	143.29
West	144.35	1.00024	144.39

January	= Q1
April	= Q2
July	= Q3
October	= Q4

11/22/2004

Association of American Railroads

file: MF200407calcs.xls

Car Hire for RCAF

RCAF (Actual)		1980	Aug 3Q/03	Nov. 4Q/03	Feb 1Q/04	May 2Q/04	Aug 3Q/04
RATE							
	RR-OWNED TIME	31.00	64.00	64.00	64.00	64.00	64.00
	RR-OWNED MILEAGE	4.69	7.40	7.40	7.30	7.30	7.30
	PRIVATELY-OWNED CARS	25.47	44.64	44.88	44.64	42.60	42.62
	AUTORACKS	47.00	51.52	52.56	49.74	50.92	52.35
INDEX							
	RR-OWNED TIME	100.0	206.5	206.5	206.5	206.5	206.5
	RR-OWNED MILEAGE	100.0	157.8	157.8	155.7	155.7	155.7
	PRIVATELY-OWNED CARS	100.0	175.3	176.2	175.3	167.2	167.3
	AUTORACKS	100.0	109.6	111.8	105.8	108.3	111.4
CAR HIRE INDEX (old wts)	2001	100.0	180.4	--	--	--	--
CAR HIRE INDEX (new wts)	2002	100.0	180.3	180.9	180.1	174.5	174.6
CAR HIRE INDEX (LINKED)		100.0	177.4	178.0	177.2	171.7	171.8

Equipment Rents Data From UMLER

	2003						2004							
	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG
Railroad Owned														
No. of Cars	8,879	8,821	8,795	8,987	8,982	8,163	8,123	8,111	8,110	8,093	8,359	8,320	8,306	8,346
Superstructures														
Rate	26.0	26.0	26.0	28.0	28.0	31.0	30.0	30.0	30.0	30.0	33.0	33.0	33.0	31.0
Superstructures #3 - Auto Rack	64.0	64.0	64.0	64.0	64.0	64.0	64.0	64.0	64.0	64.0	64.0	64.0	64.0	64.0
All other #1 - Time	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.3	7.3	7.3	7.3	7.3	7.3	7.3
All other #2 - Mileage														
Privately Owned														
No. of Cars	50,419	50,255	50,093	49,897	49,661	49,400	49,221	49,058	48,814	48,744	48,708	48,705	48,797	48,856
Superstructures	304,355	303,559	305,180	304,273	303,378	302,644	302,379	302,392	301,533	301,616	300,731	300,247	301,650	300,561
Covered Hoppers	285,129	285,235	285,853	286,060	286,782	286,813	286,488	286,227	286,315	287,831	288,691	286,614	286,744	286,794
Tank Cars	224,656	225,608	229,251	229,646	229,665	228,706	230,028	232,298	232,996	233,901	235,406	236,207	239,935	241,849
Others														
Rate	74.0	74.0	74.0	74.0	74.0	74.0	74.0	74.0	74.0	74.0	74.0	74.0	74.0	74.0
Superstructures #1 - Time	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Superstructures #2 - Mileage	56.0	56.0	56.0	56.0	57.0	57.0	53.0	53.0	53.0	54.0	54.0	55.0	55.0	56.0
Superstructures #3 - Auto Rack	44.2	44.3	44.4	44.5	44.5	44.6	44.0	44.1	44.1	44.2	44.2	44.2	44.2	44.3
Covered Hoppers #2 - Mileage	69.7	69.8	70.1	70.2	70.2	70.3	69.7	69.9	69.9	63.2	63.3	63.5	63.5	63.5
Tank Cars #2 - Mileage	68.0	68.0	69.0	69.0	69.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	71.0	72.0
Others #1 - Time	6.5	6.5	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.5	6.5	6.6
Others #2 - Mileage														
AVERAGE RATES														
Private Superstructures	17.39	17.39	17.39	17.39	17.39	17.39	17.39	17.39	17.39	17.39	17.39	17.39	17.39	17.39
Private Others	21.60	21.60	21.92	21.92	21.92	22.14	22.14	22.14	22.14	22.14	22.14	22.04	22.26	22.58
Private Total	44.59	44.64	44.78	44.85	44.88	45.04	44.60	44.64	42.50	42.58	42.60	42.56	42.54	42.62
Autotracks	51.51	51.52	51.52	51.73	52.56	53.31	49.74	49.74	49.72	50.58	50.92	51.79	51.80	52.35

WEIGHTS

	2001	2002
For RCAF & RCR		
RR-owned Time	0.211	0.213
RR-owned Mileage	0.084	0.094
Privately-owned Cars	0.705	0.693
Autotracks	0.000	0.000
Check sum	1.000	1.000

Weights for Equipment Rents (not used in Car Hire calculation)		
	2001	2002
Car Hire - U.S.	0.515	0.506
Lease Rentals - U.S.	0.485	0.494
Check sum	1.000	1.000

RCAF - Depreciation

Series ID : wpu144

Not Seasonally Adjusted

Group : Transportation equipment

Item : Railroad equipment

Forecast Year 2005

As reported at end of month 82=100

		Nov.	Feb.	May	Aug.
For Forecast	→	05Q1	05Q2	05Q3	05Q4
For Actual	→	04Q3	04Q4	05Q1	05Q2
January	2004	137.9	137.9	137.9	137.9
February	2004	140.1	140.1	140.1	140.1
March	2004	142.2	142.2	142.2	142.2
April	2004	142.8	142.8	142.8	142.8
May	2004	143.5	143.5	143.5	143.5
June	2004	143.7	143.7	143.7	143.7
July	2004	144.2			
August	2004	145.4			
September	2004	145.2			
October	2004	145.6			
November	2004				
December	2004				
January	2005				
February	2005				
March	2005				
April	2005				
May	2005				
June	2005				
July	2005				
Actual Qtr.		144.9	NA	NA	NA

1980=100

Actual Qtr.

First Mo. next qtr.

160.3	NA	NA	NA
161.1	NA	NA	NA

0.904 =1980



U.S. Department of Labor Bureau of Labor Statistics

Bureau of Labor Statistics Data

www.bls.gov

[BLS Home](#) | [Programs & Surveys](#) | [Get Detailed Statistics](#) | [Glossary](#) | [What's New](#) | [Find It! In DOL](#)

[Search](#) | [A-Z Index](#)

Data extracted on: November 17, 2004 (02:45 PM)

Producer Price Index-Commodities

Series Catalog:

Series ID : wpu144

Not Seasonally Adjusted
Group : Transportation equipment
Item : Railroad equipment
Base Date : 8200

Data:

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ann
2003	134.5	135.4	135.5	136.0	136.3	136.3	136.7	136.5	136.9	137.2	137.7	137.3	136.3
2004	137.9	140.1	142.2	142.8	143.5	143.7	144.2(P)	145.4(P)	145.2(P)	145.6(P)			

P : Preliminary. All indexes are subject to revision four months after original publication.

[Back to Top](#)

www.dol.gov

[Frequently Asked Questions](#) | [Freedom of Information Act](#) | [Customer Survey](#)
[Privacy & Security Statement](#) | [Linking to Our Site](#) | [Accessibility](#)

U.S. Bureau of Labor Statistics
Postal Square Building
2 Massachusetts Ave., NE
Washington, DC 20212-0001

Phone: (202) 691-5200
Fax-on-demand: (202) 691-6325
Data questions: blsdata_staff@bls.gov
Technical (web) questions: webmaster@bls.gov
Other comments: feedback@bls.gov

RCAF - Other

Series ID : wpu03t15m05

Not Seasonally Adjusted

Group : Industrial Commodities less fuels

Item : Industrial commodities less fuels

		Forecast Year 2005			
		As reported at end of month 82=100			
		Nov.	Feb.	May	Aug.
For Forecast	→	05Q1	05Q2	05Q3	05Q4
For Actual	→	04Q3	04Q4	05Q1	05Q2
January	2004	147.2	147.2	147.2	147.2
February	2004	148.2	148.2	148.2	148.2
March	2004	149.1	149.1	149.1	149.1
April	2004	150.0	150.0	150.0	150.0
May	2004	150.5	150.5	150.5	150.5
June	2004	150.9	150.9	150.9	150.9
July	2004	151.8			
August	2004	152.7			
September	2004	153.3			
October	2004	154.5			
November	2004				
December	2004				
January	2005				
February	2005				
March	2005				
April	2005				
May	2005				
June	2005				
July	2005				
Actual Qtr.		152.6	NA	NA	NA

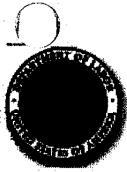
1980=100

Actual Qtr.

First Mo. next qtr.

171.1	NA	NA	NA
173.2	NA	NA	NA

0.892 =1980



U.S. Department of Labor Bureau of Labor Statistics

Bureau of Labor Statistics Data

www.bls.gov

[BLS Home](#) | [Programs & Surveys](#) | [Get Detailed Statistics](#) | [Glossary](#) | [What's New](#) | [Find It! In DOL](#)

[Search](#) | [A-Z Index](#)

Data extracted on: November 17, 2004 (03:49 PM)

Producer Price Index-Commodities

Series Catalog:

Series ID : wpu03t15m05

Not Seasonally Adjusted

Group : Industrial Commodities less fuels

Item : Industrial commodities less fuels

Base Date : 8200

Data:

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ann
2003	144.0	144.7	145.3	144.8	144.9	144.8	144.6	144.8	145.0	145.9	146.1	146.3	145.1
2004	147.2	148.2	149.1	150.0	150.5	150.9	151.8(P)	152.7(P)	153.3(P)	154.5(P)			

P : Preliminary. All indexes are subject to revision four months after original publication.

[Back to Top](#)

www.dol.gov

[Frequently Asked Questions](#) | [Freedom of Information Act](#) | [Customer Survey](#)
[Privacy & Security Statement](#) | [Linking to Our Site](#) | [Accessibility](#)

U.S. Bureau of Labor Statistics
 Postal Square Building
 2 Massachusetts Ave., NE
 Washington, DC 20212-0001

Phone: (202) 691-5200
 Fax-on-demand: (202) 691-6325
 Data questions: blsdata_staff@bls.gov
 Technical (web) questions: webmaster@bls.gov
 Other comments: feedback@bls.gov